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AN INTRODUCTION TO THE STUDY OF LABOR PROBLEMS

BY

GORDON S. WATKINS, PH.D.

University of California, at Los Angeles

CROWELL'S SOCIAL SCIENCE SERIES

EDITED BY

SEBA ELDRIDGE

University of Kansas

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TO

Anna Davis Watkins

WHOSE DEEP INTEREST AND COOPERATION

HAVE BEEN MY INSPIRATION

IN THE PREPARATION OF THIS WORK

EDITOR'S NOTE

TEACHERS of economics have long felt the need of a comprehensive and thorough, but not too voluminous, treatment of labor problems. The present treatise, we believe, will meet this need. The author displays a fine sense of proportion in dealing with these problems, and the various solutions that have been proposed for them. Perhaps the most admirable features of Professor Watkins' treatment are his orderly marshaling of the facts that bear on the problems treated, and his impartial, yet critical interpretation of conflicting views thereon.

The book should commend itself not only to teachers and students, but to social workers, editors and others who feel the need for a work of reference, in brief compass, on this subject.

S. E.

PREFACE

This book is intended to be what its title suggests—an introduction to the study of the problems of industrial relations. Its main purposes are to acquaint the student and the general reader with the facts and conditions that influence these relations, and to describe and evaluate the important remedies that have been proposed and applied.

The problems of industrial relations are the resultants of ascertainable causes, of material and subjective forces that function persistently in the evolution of industrial society. These problems cannot be understood apart from the experiences of the past and the conditions of the present. Yet no set of problems has evoked more superficial judgment and more unwarranted conclusions. There is imperative need for careful examination of the factors that enter into industrial strife. The causes of unrest are anchored deep in the organization and operation of industry; strikes and lockouts are symptomatic of unremedied but remediable maladjustments in the industrial system. Ultimately, improvement can come only through a general sympathetic appreciation of human forces in industry and complete knowledge of those conditions of production and distribution that stifle self-expression, balk fundamental instincts and desires, prevent the development of personality, and breed incessant antagonism and strife. The acquisition of such knowledge and the development of sympathetic appreciation constitute a first duty of constructive citizenship. This book is offered in the hope that it may contribute something to a broader understanding of the serious problems of capital and labor. The field is so comprehensive that only a general outline is possible within the limits of a single volume. The references at the close of each chapter will assist the reader in making a more intensive study of the subjects discussed.

The treatment of labor problems which this book attempts is not merely an expression of academic interest but an embodiment of first-hand observations of the author as a wage-earner in mines and machine industries.

An earnest attempt has been made to introduce adequate statistical evidence and authoritative opinion in the analysis of each problem and remedy, and to examine all data carefully before formulating definite conclusions. The author holds no brief for either employers or wage-earners as a class; his chief concern has been to analyze and describe those maladjustments in industry which impede industrial and social progress.

The author is indebted to Professor Seba Eldridge, University of Kansas, and Professor E. L. Bogart, University of Illinois, for their valuable criticisms; to Miss Hazel Yearsley Shaw, University of Illinois, for her helpful suggestions and efforts in arranging the selected references; and to his wife, Anna Davis Watkins, whose coöperation in the preparation and reading of the manuscript has made this work possible.

URBANA, ILLINOIS,
July 1, 1922.

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AN INTRODUCTION TO THE STUDY OF LABOR PROBLEMS

Part One

THE NATURE AND DEVELOPMENT OF THE PROBLEMS

CHAPTER I

THE NATURE OF THE PROBLEMS

Definition.—There obtains no unanimity of opinion concerning the nature of the so-called labor problem. To different minds the problem may be primarily one of improving the general conditions of employment; the successful organization of the workers and freedom of collective bargaining; the economic and social consequences of trade unionism; the elimination of distrust born of fear and the substitution therefor of mutual confidence; the discovery and application of effective methods of adjusting industrial disputes and grievances; the prevention of labor unrest; the promotion of industrial goodwill and industrial efficiency; or any one of the myriad phases of relations between employers and employees. To one authority, "American trade unionism is the American labor problem; and, in a narrow acceptation, trade union policy and practice impinge at some point or other upon such specific social problems as immigration, child labor, employers' liability, and methods of industrial remuneration."[1] To another authority, "The

[1] Hollander and Barnett, *Studies in American Trade Unionism*, p. 3.

fluctuation of currency is the greatest of all the labor problems" and "the first great method of importance in bringing about industrial peace is the stabilizing of the dollar."[2] Varying conceptions of the labor problem could be enumerated *ad infinitum.*

There is no such thing as *the* labor problem, the solution of which would carry with it a panacea for all industrial ills. More accurately, there are many labor problems, some of which are of a specific nature in that they necessitate improvement in particular industrial conditions, while others are more general, involving fundamental changes in the administration and control of industry. Specific problems include, among others: (1) the economic insecurity of the workers; (2) repetitious industrial unrest; (3) unsatisfactory conditions of employment; (4) child labor; (5) limitation of output; (6) inequality of bargaining; (7) human waste in industry; (8) unemployment and labor turnover; (9) immigration; and (10) women in industry. General problems include: (1) the democratization of industry; (2) an equitable distribution of the product of industry; and (3) social control of industrial life with a view to safeguarding the interests of society.

The Necessity of a Scientific Attitude.—The study of labor problems must be approached with open-mindedness and impartiality. Such an attitude is prerequisite to a proper understanding of facts, a full appreciation of opinions, and the passing of sound judgments. In no other field of investigation are there so many preconceived ideas and predetermined convictions. Public discussions of trade unionism, wages, and hours of labor, for example, frequently have no foundation in fact and are characterized by extreme bias. This may be accounted for partly by the fact that labor problems are so full of human interest that almost everyone forms definite opinions regarding them, and partly because individuals approach the discussion influenced by a back-

[2] John R. Commons, *Trade Unionism and Labor Problems,* 1921 ed., p. 4.

ground of tradition and training which forces them, consciously or unconsciously, to take sides in the controversy between capital and labor. There should be preserved that scientific attitude defined so clearly by the late Professor Hoxie: "It is putting aside as far as possible all passion and prejudice, all preconceived notions in regard to the object of study, all beliefs and feelings; seeking only for the truth and being willing to follow it to whatever conclusions it may lead."[3]

The Evolutionary Concept of Society.—A proper understanding of the problems of labor is impossible without first securing an accurate conception of industrial and social life. Social relations are the product of evolution, and change is their dominant characteristic. Resistance to change is a fundamental factor underlying the maladjustments in industrial society. Two distinctly different conceptions of industrial and social life obtain; namely, the *absolute* and the *relative* concepts. According to the former, social justice and the common welfare consist in maintaining the *status quo* in social, economic, political, and legal institutions and relations. Consequently there must be no limitations of private property, contract, bargaining, competition, inheritance, freedom of the individual, or any vested right and interest. The latter, or relative and evolutionary concept, assumes that social justice and progress consist in the adaptation of all institutions to the imperative needs and circumstances of the present. This will involve necessarily a denial of a fixed natural order and a limitation of so-called inalienable rights of private property, liberty, freedom of contract, and free competition. The philosophy of "Whatever is, is right" constitutes a fundamental denial of social and economic evolution. To deny the value of present institutions, however, is equally fallacious. Even the most revolutionary changes have some necessary foundation in preëxisting institutions, and to dispense with all social antecedents is as futile as it is disastrous. In discussing problems and relations in industry, there-

[3] R. F. Hoxie, *Trade Unionism in the United States*, p. 21.

fore, it is necessary to keep in mind that economic life is constantly undergoing readjustment.

Fundamental Institutions that Affect Industrial Relations.—In the course of evolution man has built up a network of institutions that tend to regularize and control the economic activities of his daily life. The present social order is characterized by division of labor, exchange of goods, legal contracts and agreements, economic classes, private property, vested interests, inheritance, competition, monopoly, large-scale industry, coöperative enterprise, self-interest, the wage system, freedom of contract, state regulation, and numerous other institutions and practices that influence industrial relations. Private property vests in the employer the exclusive right to own and control those material things that make production possible, and the doctrine of freedom of contract enables him to claim the right to run his business as he sees fit. Wage-earners, on the other hand, claim the right to organization and collective bargaining, the exercise of which may interfere with the rights of the employer. Similarly, it might be shown that the other institutions just enumerated protect or limit the economic status of employers and wage-earners.

The Parties to Industry.—A common practice takes cognizance of only two parties to industry—capital and labor. The interests of these two groups, however, are not the only ones to be considered. There is increasing recognition of the fact that the parties to industry include labor, capital, management, and the public. One of the outstanding facts of man's economic life is that material goods, which are essential to the satisfaction of human wants, must be economized. Saving and investment, therefore, are prerequisite to the production and distribution of wealth under modern industrialism. Capital, defined as the product of past industry used in further production, is indispensable to the continuity of economic life. The owners of capital, commonly known as the capitalists, have direct interests in industry to be safeguarded. When labor is referred to as a factor in indus-

try the great mass of wage-earners, skilled and unskilled, is meant. Management furnishes intelligence and experience in the direction and administration of industry. An important result of the division of functions in modern industry is that the managers of industrial enterprises are frequently not the owners, so their interests are not identical with those of the capitalists. The term "public" designates an all-inclusive body of consumers whose interests and welfare may be affected directly by maladjustments in industry and in industrial relations. This body of consumers includes the owners of capital, industrial managers, salaried persons and others in the professional classes, wage-earners, and all other members of society.

Society is directly or indirectly a party to every industrial compact, since the production, exchange, and distribution of wealth are in a large measure determined by existing economic and political institutions which have their foundations in law. Institutions and the legal sanction upon which they rest may be out of joint with the thought and philosophy of the present, but the machinery of democratic government affords an opportunity for orderly readjustment when the will of the majority so demands. It is one of the peculiar functions of government to maintain law and order in industry, and in fulfilling this obligation the state becomes an active participant in industrial relations. Industrial strife, inadequate wages, excessive hours, unsatisfactory physical conditions of labor, and similar maladjustments affect directly the health, efficiency, and progress of the nation. It thus becomes increasingly necessary for society, through the machinery of government, to protect the interests of all its citizens.

The Relation of the Study of Labor Problems to the Social Sciences.—The study of labor problems is fundamentally a part of the social science of Economics, but it is related definitely to Sociology, History, Politics, Law, Ethics, and Psychology. Economics, defined as the social science that deals with man's efforts to procure and use wealth and the relations and conditions growing out of

these efforts, includes the important field of industrial relations. Labor problems arise out of economic activities connected with the production, exchange, and distribution of wealth. Sociology deals with human association and the problems developing from associational life. In its applied aspects, sociology deals with the phenomena of crime, poverty, dependency, delinquency, and other problems that arise in part out of the economic uncertainty which characterizes the status of the wage-earners. In tracing the development of labor organizations and protective labor legislation, the student of labor problems is aided materially by the historian. Politics and law, which deal with the structure and functions of political life, are related directly to a study of industrial problems. The social will, expressed through law, regulates social institutions and economic practices. Thus we have protective labor legislation governing hours, wages, conditions of employment, employers' liability, and other phases of industrial relationships. Ethics, or the science of human conduct, cannot be dissociated from a consideration of industrial problems. The student of labor problems is interested primarily in conditions as they exist in industry rather than in conditions as they should be, but his efforts in this regard would possess little merit if he did not draw conclusions from the data analyzed and venture an opinion concerning conditions as they should be. That is, he should be concerned not only with *what is* but also with *what ought to be.* More and more we are learning to appreciate the psychological and physiological factors in production. The human element in industry has received increasing attention in recent years on account of the contributions of the science of psychology. It is not sufficient to understand the technical processes of production; physical and mental effort is fundamental to production, therefore it is necessary to understand the instincts, impulses, and aspirations that motivate the men who toil.

Methods of Study.—The methods of scientific investigation are deductive, inductive, statistical, and historical.

The deductive, or *a priori,* method consists in reasoning from general propositions to particular applications. General, legal, economic, and ethical principles are important determinants of opinion regarding freedom of contract, wages, standards of living, efficiency, and other problems involved in labor. The use of deduction in the field of labor problems often leads to hasty generalizations and should not be used widely. The inductive, or *a posteriori,* method, consists in building up general conclusions from particular information. Observation of facts and experiences is the method of procedure and furnishes the basis for conclusions. Valuable use of this method is made in studying industrial relations. The statistical method is the application of induction in the field of quantitative data. The collection, tabulation, and correlation of statistics constitute one of the most important methods of studying the problems of labor. The United States Bureau of Labor Statistics and the statistical departments of the various state industrial commissions and bureaus of labor are performing a very constructive service in the use of this method. The historical method consists in recording and analyzing the facts and experiences of the past, from which certain conclusions are drawn concerning contemporary and future developments.

Outline of the Present Study.—The remainder of Part I of this study is a discussion of the development of labor problems. Part II is an analysis of these problems, including the standard of living, wages, wage theories, the working-day, child labor, women in industry, human waste in industry, unemployment and the labor market, labor turnover, immigration, and industrial unrest. In Part III the agencies and methods of readjustment are discussed, including labor organizations, employers' associations, adjustment of industrial disputes, industrial government, personnel administration, industrial education and training, profit-sharing and labor copartnership, coöperation, socialism, labor legislation, and social insurance. The final chapter embodies a conception of the basis of improvement in industrial relations.

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CHAPTER II

THE EMERGENCE OF LABOR PROBLEMS IN ENGLAND

Conditions Determining the Evolution of Industrial Society.—Examined from a general point of view, there are at least five outstanding conditions that have determined economic evolution. These conditions are: (1) the growth of population; (2) the increasing quantity and variety of human wants; (3) the external forces of geographic environment; (4) the hereditary traits of the human race; and (5) discovery and invention. The instinctive basis of social and economic life is unmistakable. Economists of the English classical school prophesied serious consequences upon the failure of economic laws to force an adjustment between man's tendency to reproduce his kind and the capacity of nature to supply his basic wants—food, clothing, and shelter. Malthus, in his law of population, stated that population tends to outrun the food supply unless certain positive and preventive checks such as war, famine, disease, and celibacy operate to retard its growth. Unregulated reproduction has always been viewed as hindering the progress of the wage-earning class. Malthus, of course, did not foresee the power of human genius to discover and invent means of supporting an increasing population. Human beings tend not only to enhance their numbers, but also to develop an increasing quantity and variety of wants. The wage-earner's desire for a progressive standard of living is a basic factor in industrial conflict. To provide progressive standards of living, old sources of commodities have to be economized or new ones have to be discovered. Invention and discovery make possible satisfaction of these increasing desires, but there are always certain insurmountable limitations in the geographic environment.

Systems of Labor in the Evolution of Economic Society. —Historians sometimes classify the stages of economic evolution on the basis of man's increasing capacity to manipulate for his own use the forces of nature. The general periods include: (1) the hunting and fishing, or direct appropriation stage; (2) the pastoral stage; (3) the agricultural stage; (4) the handicraft stage; and (5) the industrial stage. Only brief treatment of these several stages is necessary here, except in the case of the industrial stage which is related so intimately to modern labor problems. The changes were not identical everywhere.

1. In the hunting and fishing stage man's wants were very limited and he depended largely on the gifts of nature. There was no production and distribution of material goods as we understand those terms. There was very little division of labor and practically no such thing as specialization of tasks. Faint evidences of the idea of private property appeared and slavery began to emerge. There was no distinct labor class and consequently no labor problems arose. Many of the menial tasks were performed by women. Man migrated freely to the sources of food supply.

2. In the pastoral stage man assumed a more conscious direction of his economic life. His major activities had to do with the care of domesticated herds and flocks. Conflict of economic interests developed between neighboring tribes on account of disputed ownership of pasture areas. Although private property was limited, individual accumulations of wealth appeared and division of society into rich and poor evolved. Inheritance of wealth was regulated by custom. Division of labor within the same tribe and between friendly tribes appeared, but there was no distinct differentiation between employer and employee functions. Labor problems did not develop under such an economic system. Man was still characterized by migratory habits.

3. The agricultural stage involved greater production of wealth, cultivation of the soil, growth of private property, development of the institution of slavery followed

later by serfdom, rise of economically self-sufficient village communities, and a wider exchange of commodities. The manorial system in England, the first form of industrial organization of which we have adequate knowledge from English history, existed from before the Norman conquest (1066) to the sixteenth century. This system, under which the lord of the manor and the serfs cultivated the land on a sort of partnership basis, developed definite economic classes. Subservient to the lord by customary rules and enjoying certain rights in the land, the serf rendered "week-work," consisting of two or three days of labor each week throughout the year for the lord, and "boon-work," or labor on the lord's land for one or two days in the plowing season or the harvest season. The serf or villein was required to give the lord certain gifts and special services at specified seasons. Forces of change were at work in the manorial system and there followed "(*a*) a rapid growth in the number of free tenants; (*b*) the commutation of customary services into fixed payments in money or kind; and (*c*) the appearance of a class of agricultural laborers dependent on the wages which they received."[1] In the period in which the manorial system prevailed, slavery, serfdom, and the wage system developed, indicating more clearly a differentiation of industrial classes and employment relations.

4. Beginning with the rise of towns as the centers of handicraft and trade, during the close of the thirteenth century and extending to the introduction of power machinery in the latter part of the eighteenth century, the handicraft stage presents many economic changes that are replete with interest for the student of labor problems. The gild system in the towns developed somewhat later than the manorial system in the country. Entire towns were converted into merchant gilds which, receiving from the king a practical monopoly of trade in exchange for allegiance and services, regulated stringently the buying and selling of goods, including the

[1] Richard T. Ely, *Outlines of Economics*, p. 38.

times and places of sale, prices, and fair dealing. As the towns grew numerous handicrafts developed, and within a century after the origin of the merchant gilds the artizans of each craft organized craft gilds to promote honest work, fraternal relations, and the right of trade in their own products. Night work was often prohibited, weights and measures were regulated, and adulteration of products was forbidden. Moreover, the craft gild determined who should be admitted into the craft and controlled the methods of apprenticeship.

As the manorial and gild systems decayed, they were superseded by the domestic system which developed in the sixteenth and seventeenth centuries and continued a chief characteristic of English industry until the middle of the eighteenth century. The domestic system still exists on a limited scale in England and other European countries. Under the new system the workman became less independent than he had been during the period of the gilds. The functions of merchant and workman were separated, the latter receiving from the middleman the materials which he converted into the finished product. Under this system the home assumed greater importance as the center of production.

The Black Death, a frightful epidemic that originated in Asia about 1346, reached Europe two years later, and in the winter of 1348 spread over England with disastrous effects upon the population. It has been estimated that of the approximately four million people who then inhabited England, from one-third to one-half perished under the scourge of the epidemic. "The majority of the laboring population probably died." The resulting scarcity of labor coupled with the extraordinary demand enhanced its price. Free artizans and serfs who had lost their masters took advantage of this favorable labor market. Attempts were made by the government to force the villeins to give the same labor return in exchange for their allotments as under the old service system. The Statutes of Laborers were passed in 1351 and subsequent years, under the terms of which workingmen were ordered

to accept work when it was offered them and definite rates of wages for various classes of labor were established. Declarations of obedience to these statutes were required, and refusal to comply with them resulted in three or more days in the stocks and imprisonment. Unscrupulous attempts were made to return the serfs to a bondage from which they had claimed freedom and to suppress the free workers.[2] The original statute was reenacted with slight modifications thirteen times within the course of a century.

The natural sequence of such oppression was the combination of the lower classes of free craftsmen in the towns and the masterless serfs for the protection of their own interests. The enormous increase in the price of commodities made impossible the acceptance of the wage scale that had prevailed prior to the plague. The unreasonable statutes, therefore, were bound to be unsuccessful. The Peasants' Revolt in 1381 was a natural protest against the unfair statutes and the onerous conditions under which the lives of the English masses were blighted. So improved were conditions by the end of the century, that the succeeding century has been described as the golden age of the English laborer.

The high price of wool, together with the advanced level of wages, encouraged the inclosure of lands that had been allotted previously to villeins or held in common, and their conversion into immense sheep ranches. Under the inclosure system the people became separated from the land. The numerous economic changes that were taking place were aided materially by the centralization of power in the hands of the national government. The exactions of local government bodies and trade societies hindered progress and were detrimental to the common welfare. By the year 1600 the gilds had lost their dominant position in the industrial and mercantile life of England.

National regulation of industry soon developed. Henry VII (1485-1509), Henry VIII (1509-1547), and Queen

[2] R. W. Cooke-Taylor, *The Factory System*, p. 309.

Elizabeth (1558-1603) substituted national for local control. Weights and measures, coinage, labor conditions, and many other things were regulated. The Statute of Apprentices, enacted in 1563, is of particular interest here. This famous industrial code, which was really a reënactment of the Statutes of Laborers, was in force for two hundred and fifty years, being repealed in 1813. "It made labor compulsory and imposed on the justices of the peace the duty of meeting in each locality once a year to establish wages for each kind of industry. It required a seven years' apprenticeship for every person who should engage in any trade; established a working-day of twelve hours in summer and during daylight in winter, and enacted that all engagements, except those for piece work, should be by the year, with six months' notice of a close of contract by either employer or employee. By this statute all the relations between master and journeymen and the rules of apprenticeship were regulated by the government instead of by the individual craft gilds."[3] Other important developments included the granting of monopolies; the Mercantile System, under which an excess of exports and the accumulation of precious metals were encouraged; and the immigration of foreign artizans to introduce new industries.

The Rise of Modern Industrialism.—The fifth stage of economic evolution is the rise and development of the modern industrial system. Modern industrialism is everywhere a product of the nineteenth century, but its foundations rest on the great mechanical inventions of the eighteenth century. The period of seventy years between 1760 and 1830 in English history brought revolutionary economic and social changes pregnant with significance for the working class and society in general. The antiquated methods of manufacture and transportation which had proved adequate for England under the domestic system were insufficient to meet the needs of the commercial and industrial era upon which the nation

[3] E. P. Cheyney, *Industrial and Social History of England*, 1901 ed., p. 156.

was about to enter. Inventions, appearing in rapid succession, revolutionized the industrial life of England. Kay's flying shuttle (1738) facilitated the weaving process; Hargreaves' "spinning jenny" (about 1767) improved hand spinning; Arkwright's practical success of roller spinning by the use of horse-power and later by water-power was completed by 1771; Crompton's combination of these two latter improvements was finished in 1779; and Cartwright's perfection of the power loom was nearing completion in the year 1784. Transportation facilities were improved by better roads; the building of canals, especially between 1790 and 1805; and the development of steam locomotion. James Watt's improvements in the steam engine (1769 and 1782) aided mining and manufacturing industries, and the invention of the locomotive by Robert Stephenson in 1814 made possible the application of steam power to land transportation. In 1825 the first English railroad was opened for traffic. These various developments placed England at the front of all industrial nations.

The Effects of the Industrial Revolution.—The foregoing inventions brought about what is commonly called the Industrial Revolution in England. Significant changes resulted.

1. *The Factory System.*—Although not completely a product of the new inventions, the factory system developed with unprecedented rapidity following the introduction of technical improvements. The industrial system of the nineteenth century implies a subordination of the worker to the machine and, as an English writer suggests, the emphasis of modern industrialism is upon the factory and the application of power machinery to factory operation.[4] The application of artificial mechanical power, the use of larger accumulations of capital, and the collection of scattered laborers into centralized and strictly regulated establishments are elements in the factory system.

2. *The New Position of Capital and Labor.*—Labor has passed from custom to status, from status to contract,

[4] D. H. Macgregor, *The Evolution of Industry*, p. 40.

and finally to free industry. In a state of slavery the laborer had received no wages for his efforts; the worker was property, and even those who were not slaves were bound by ties of customary or legal obligation. The distinctive characteristic of the new industrialism was the payment of wages and freedom from personal ties or mutual obligations between the worker and his employer. The worker was separated from the ownership and control of the machinery of production which he was able to acquire under the domestic system. Conditions of employment, wages, and hours of work were now controlled by the employer, and the worker was subordinated to rigid discipline. Increasing use of machinery introduced severe competition among the workers, since many of them were displaced by mechanical devices. The breach between employer and workman was widened. "The new class of great capitalist-employers made enormous fortunes, they took little or no part personally in the work of their factories, their hundreds of workmen were individually unknown to them; and, as a consequence, the old relations between masters and men disappeared, and a new 'cash nexus' was substituted for the human tie."[5] From the standpoint of the wage-earning classes the most significant effect of the Industrial Revolution is this: The major portion of workers do not possess the opportunity to accumulate the large sum of capital necessary to organize and operate modern industrial and business establishments. The majority of the population, therefore, is relegated to the permanent, subordinate status of a wage-earning class. Distinct economic classes of capitalists, entrepreneurs, and wage-earners arise, with interests more or less antagonistic.

3. *The Widening of Markets and Competition.*—Several changes may be noted with regard to the effects of the new industrial system upon both commodity and labor markets. (*a*) Increased production made possible by new industrial processes forced the expansion of commodity markets beyond the limits of locality. The area of buying,

[5] Arnold Toynbee, *The Industrial Revolution*, p. 73.

which was localized in the preceding centuries, became national and international. (*b*) Transportation and communication linked up world markets and brought the capitalist-employer producers of the various countries into keen competition. (*c*) Consumption now became commensurate with the known world, with the result that determination of demand for commodities became extremely difficult, and overproduction in relation to purchasing power became common. Industrial crises and financial panics appeared as disturbing phenomena in economic life, bringing with them periods of general unemployment and suffering to the wage-earners. Economic certainty was superseded by economic uncertainty, for both capital and labor. (*d*) Transportation and communication connected also the labor markets of the world, thus bringing into competition the workers of many lands. Seas were no longer barriers. New countries, as America, were now able to secure their labor supply from every nation, a condition that influenced greatly the status of wage-earners already in the industries of the new lands.

4. *Division of Labor.*—The new industrial system made imperative a transition from simple to complex division of labor. Under the domestic system each workman performed all of the processes connected with the manufacture of a commodity. The intricate machine methods of the factory system led to increasing specialization of tasks, with the result that the worker was less able to see the relation of his particular job to the finished product. The subordination of the worker to the machine, coupled with narrow specialization, balked the fundamental instinct of workmanship and self-expression.

5. *Revival of an Old Land Policy.*—The economic changes incident to the Industrial Revolution were as significant with regard to the occupation and use of land as they were in the field of manufacture. Diversification of crops, general improvement in agricultural methods, wider application of capital to agriculture, enlarged areas of cultivation, and increased production characterize the new agriculture. Farm ownership became more difficult, small

holdings were soon absorbed by those who already possessed large tracts, and the agricultural laborers became a permanent class of wage-earners.

6. *Decay of Domestic Manufacture.*—The invention of machinery not only created a new industry but destroyed the old. Hand labor could not compete successfully with the machine. Rural domestic manufacturers were devoting themselves to inferior forms of production which were bound to vanish as cheaper and better methods were introduced by factory operators. Those who had tried to resist the new methods soon found the attempt futile and dropped gradually into the ranks of factory and agricultural laborers.

7. *The Wage System.*—The separation of employer and employee functions and the rise of the modern wage system were among the most far-reaching effects of the new industrialism. The worker practically lost that liberty of choice which hitherto "constituted his safeguard against the usurpations of capital, and henceforth he has no means of livelihood other than to sell his labor to the capitalist for the wages which it pleases the latter to give him."[6] In England, Europe, and later in America free land practically ceased to exist as a refuge for the worker from the difficulties incident to industrial life in the cities. Moreover, the gulf between employers and employees widened. The worker was now released from all directive responsibility in the administration of industry.

8. *The Beginning of Labor Organizations.*—A logical result of the separation of employer and employee interests was the germination of permanent and effective organizations among the wage-earners. Voluntary associations of workers were not new, since the medieval gilds were societies of men who worked and at the same time carried on merchant functions. The modern trade union, however, is primarily an organization of wage-earners. The increase in size of the business establishment under the factory system brought large numbers of workers in

[6] Achille Loria, *Economic Foundations of Society,* p. 4.

the same trade and industry closely together, with the consequence that an identity of interests, opposed to those of the employer, was recognized by them. The abandonment of government regulation left the workers free to combine for their own protection. The strike and other methods of collective bargaining became prominent, and labor organizations soon incurred the displeasure of the government and the various nonwage-earning classes. The new labor movement found serious obstacles in the revival of old laws and the enactment of new ones prohibiting combination of laborers to increase wages and otherwise change their economic status. A series of statutes known as the Combination Acts were passed periodically subsequent to the sixteenth century, the object of which was to prevent artizans, either employers or employees, from combining to change the rate of wages or other conditions of labor established legally by the government. "The last of the Combination Acts were passed in 1799 to 1800 and were an undisguised exercise of the power of the employing class to use their membership in Parliament to legislate in their own interest."[7] These measures provided that all agreements between journeymen or other workmen to secure advances in wages, shorten the hours of labor, prevent the employer from engaging whomsoever he might choose, persuade any workman not to labor, or to refuse to work with any other laborers should be illegal. Any justice of the peace was empowered to convict by summary process and sentence to two months' imprisonment any workman who entered such a combination.[8] The normal activities of trade unions were illegal also under the common law, based upon the doctrine that continued attempts to influence wages, hours, prices, or apprenticeship were conspiracies in restraint of trade. Popular opinion was also very adverse to trade unionism, and it was not until the end of the first quarter of the nineteenth century that steps were taken to release the workers from these limitations on collective action.

[7] Cheyney, *op. cit.*, p. 279.

[8] *Ibid.*, pp. 279, 280.

9. *Laissez-faire.*—Among the most prominent effects of the Industrial Revolution was the decided change in English governmental policy regarding the economic and social life of the people. Freedom became the mania of the new industrial era. There was a strong revulsion against limitation of action and government regulation. Legal restrictions, in so far as they controlled buying and selling and employment relations, were viewed as interferences with natural freedom. Regulations of the quality of goods, wage rates, apprenticeship periods, etc., ceased to be effective. The doctrine of *laissez-faire* soon received wide acceptation. In his "Inquiry into the Nature and Causes of the Wealth of Nations," published in 1776, Adam Smith describes this doctrine as follows: "All systems either of preference or restraint . . . being taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way, and to bring both his industry and capital into competition with those of any other man or order of men."[9] The majority of the members of Parliament were soon converted to the necessity and efficacy of this *laissez-faire* policy. Regulations under the Elizabethan Statute of Apprentices became obnoxious. In 1811 a select committee of the House of Commons reported that "no interference of the legislature with the freedom of trade, or with the perfect liberty of every individual to dispose of his time and his labor in the way and on the terms which he may judge most conducive to his own interests, can take place without violating general principles of the first importance to the prosperity and happiness of the community."

Restrictive laws were soon set aside. In 1813 the enforcement clause of the Statute of Apprentices which required justices of the peace to fix wages was repealed, and in 1814 the apprenticeship clause of the same act was nullified; in 1813 the East India trade was freed from restrictions of legal monoply; in 1824 the restrictive fea-

[9] End of Chap. IX, Book IV.

tures of emigration were abolished; in 1834 the limitation provisions of the poor laws were amended; the repeal of tariff restrictions upon foreign trade began, and was completed in 1846. Thus government regulations of economic life which had been imposed in the sixteenth and seventeenth centuries were practically all discarded.

The new individualism sanctioned by the wide acceptation of *laissez-faire* not only abolished old regulations of economic activities but sought a positive and constructive motive that would improve those activities. Enlightened self-interest was recognized as the dominant incentive, and universal free competition was to be the great impetus. Absolute freedom was indispensable. Universal freedom of competition was the ideal of the age. In seeking to promote his own interests, it was contended, man would do that which is most conducive to his own progress and to the progress of society. Ever since its inception this doctrine of individualism has constituted a persistent social philosophy that has had a dominant influence on industrial problems and the attitude of government towards economic life.

10. *Social Effects.*—Such violent transformations in the technical organization and operation of industry as those effected by the Industrial Revolution were bound to have far-reaching social consequences. Population grew rapidly and was absorbed in the field of manufactures. The population of England in 1700 was approximately 5,000,000; in 1750, about 6,500,000; in 1800, about 9,000,000; in 1850, about 18,000,000; while in 1921 the population of the United Kingdom was approximately 45,000,000. England soon led the world in commerce and manufactures.

The results of industrial changes, however, were not all favorable. The transition from the domestic to the factory system made necessary great readjustments which involved serious hardships for the small producers and the wage-earners. In the factories women and children were employed more extensively and more persistently than in the earlier forms of industry. Often men clung

to hand-work. The easily operated machines accounted for the general employment of women and children instead of men. The early mills have been described as small, hot, damp, and unhealthful. Conditions under the domestic system had not always been desirable, but in the factories hours of labor were more regular, continuous, and prolonged. A working-day of twelve, thirteen, or fourteen hours was not unusual. Wages were sometimes higher, but employment was less regular on account of seasonal depressions and periodical industrial crises. There was little opportunity for the laborer to rise out of the wage-earning class. The rapid growth of manufacturing towns in the north and the west of England caused a general breakdown in the old arrangements for providing water, drainage, and fresh air. Factory towns were often filthy, congested, and demoralizing. High rents were a natural sequence of crowded conditions.

The old masters and the working classes rebelled against the invasion of machine industry that threatened to deprive them of their very subsistence. The machine robbed them of the "freer, more hopeful, more personal existence that was the lot of the handicraft worker. . . . It sapped or threatened to sap that feeling of separate identity, of self-sufficingness, of pride, that is the proper glory of any manhood. . . . They saw the labor that they had been accustomed to do with their hands performed and far better performed by a passionless, indefatigable machine: a mere combination of wood and metal: without a heart to feel, a stomach to be fed, or tender ties and sympathies to be accounted for. . . . The due fulfillment of economical laws did most assuredly involve their present destruction; that they knew and for the moment was all they cared to know. Thus gloomily, amid tumult, fear and suffering was the modern factory system introduced." [10]

Conclusions.—In the course of economic evolution the status of the worker has changed from slavery to serfdom and from serfdom to freedom of contract. With

[10] Cooke-Taylor, *op. cit.*, pp. 428, 429.

the increasing requirements of capital for the organization and operation of business under modern industrialism, the worker has been separated from the ownership and direction of industry, with the result that it is extremely difficult to emerge from the wage-earning class. This position of industrial subordination has led to the recognition of an identity of interests, followed by organization of the wage-earners for mutual protection. The emphasis of the modern factory system has been upon the adjustment of the worker to the machine, and this has resulted in serious economic and social problems. Self-interest rather than mutual aid has been the dominant motive in economic life, and to this fact the general conflict of economic interests can be attributed. Industrial selfishness, engendered by the desire for gain, has given rise to numerous labor problems in the Old World.

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CHAPTER III

THE DEVELOPMENT OF LABOR PROBLEMS IN THE UNITED STATES

The Genesis of National Life.—American institutions go back to the Old World, and they have been influenced constantly by the incoming tide of humanity, representing almost every race, that has been so largely responsible for the growth of this country's population, the development of its natural resources, and its consequent industrial and commercial expansion. For three centuries after its discovery America attracted the discontented, the oppressed, the ambitious, and, sometimes, the morally degenerate of the Old World. Disintegration of old social, political, and economic institutions in the mother countries added an impetus to the desire of men and women to improve their conditions of life.

Fundamentally, the motivating force of all social progress is the instinctive desire of the human race to achieve political, social, and economic freedom. Liberty thus becomes the passion of humanity, that is, liberty safeguarded by respect for the rights and freedom of other members of society. Religious persecution, political despotism, and economic insufficiency were the conditions in the Old World that forced expression of the fundamental desire for freedom and directed the tide of humanity westward. While economic opportunity has always been a factor in the westward migration of people, it assumed increasing importance in the history of the New World. It was not merely to escape the immeasurable misery and oppression of European political, social, and economic life that the early colonists cut away from the moorings of old associations, but also to enlarge their general opportunities. Improvement in economic oppor-

tunity has been a traditional ambition of the restless, progressive inhabitants of this country, and it plays a significant part in the serious problems that develop in the industrial system, particularly in industrial relations.

Historic Ideals.—From what has been suggested concerning the motives and conditions that led to the migration of peoples to America, it is little wonder that in the days of our national beginnings our people acquired a tenacious conception of the desired ideals of liberty, private property, equality and other so-called basic natural rights of man. Moreover, in the new country the colonists lived in comparative isolation and enjoyed almost absolute industrial independence; land was free and abundant in the early period of national life and for some time afterwards could be acquired on comparatively easy terms; the general similarity in economic conditions and circumstances precluded the immediate rise of social inequality and made possible the idealization of social equality; the methods of acquiring property were manifestly just, and the sacredness of private property became an established fact. It was thus quite logical that the historic ideals of our people should have comprised the unqualified possession and enjoyment of *life, liberty, property,* and *equality.* This conception of human life was the child of (1) an environment of primitive freedom abounding in opportunity and (2) the instinctive desire of man for liberty. This intense philosophy of individualism has influenced greatly our industrial development, including the position of labor in the industrial and social system.

Industry and Labor in the Colonial Period.—In all the American colonies agriculture was the basic industry. Moreover, cultivation of the soil determined and directed manufacture and commercial enterprise. Commerce and fishing were possible in New York and New England but here, as elsewhere, agriculture was the prevailing industry. This was due to the geographic environment. Since the soil was fertile and land abundant and practically free, the pioneer could readily undertake his own enter-

prise although he possessed no capital. As the land was cleared and the growth of crops assured, the colonial farmer, during the seventeenth and eighteenth centuries, almost achieved an economic self-sufficiency. His food, his shelter, and his clothing he was able to produce, and some things which he desired but did not produce, such as salt, sugar, tea, coffee, and iron implements, he could acquire in exchange for his own surplus commodities. The large-scale agricultural production of the South necessitated considerable capital, and so was assumed by a wealthier group of landowners. Even here, however, it was not impossible for the small farmer to secure a comfortable living.

The economic life of the colonies was quite simple, characterized mainly by the extractive industries; agriculture, lumbering, shipbuilding, trading, and fishing were the chief occupations. In the homes were produced such essential articles as soap, candles, leather, cloth, and hats; carpentry and blacksmithing also were carried on here. Outside of the home there was little production of commodities for the market or for export. Although colonial governments encouraged the development of manufacturing by granting bounties or similar legislation, the scarcity of labor, lack of capital, and limited conditions of pioneer life precluded such development. Gradually, however, extradomestic manufacturing was established, and many of the goods thus produced were exported to the West Indies and to England.

Sufficient has been said about early colonial industrial life to enable us to understand and appreciate the systems of labor that were introduced. With limited opportunities for employment, with long hours and heavy tasks, his freedom of migration restricted to his native parish, his wages fixed and the prices of commodities regulated by the justice of the peace, the status of the workingman of the Old World was far from satisfactory. In the American colonies labor was scarce. In the North the small farms were cultivated by the landowner's family, and only occasionally was help employed on a wage basis.

The extensive plantations in the South, however, made additional laborers an imperative need. Expanding agricultural and manufacturing enterprises soon made necessary the adoption of divers systems of labor to meet the demand. Coming to the colonies without sufficient capital or initiative to undertake their own enterprises, many immigrants hired themselves out as free laborers. As a rule, however, immigrants availed themselves of the economic opportunities growing out of the existence of an abundance of free land. Consequently, there was a constant and rapid shifting of hired labor into the ranks of the landed proprietor class. On account of the diversity of industry and the practical absence of slavery in that region, New England possessed the majority of free laborers. The scarcity of labor made it necessary for the colonists to introduce a system of mutual labor exchange, such as obtains to-day in the new agricultural districts of the American Northwest. Moreover, laws provided for the impressment of labor, mechanics and artizans in New England being compelled to leave their respective crafts in order to aid in harvesting crops.

Indentured Servants.—Notwithstanding the ideals of liberty and equality with which the colonists were inspired, the existence of an abundance of fertile land made necessary a larger laboring population and resort to practices that limited or destroyed these ideals. Economic necessity made the colonists interpret very liberally the fundamental rights of man on which they were wont to philosophize. To meet the increasing demand for labor, slavery was introduced early in the southern colonies, where the conditions of soil and climate and the methods of agriculture made slave labor profitable. In the North, the system of importing white servants from Europe under contracts (indentures) was resorted to, such contracts requiring the servants to work for a certain number of years in return for their passage money. Generally speaking, then, there were in the colonies two main classes of laborers who were not free; namely, slaves and indentured servants. Of the latter class there were really

two subdivisions, commonly described as those whose servitude was voluntary and those who performed involuntary service. Voluntary servitude had its foundation in a free contract with some individual or company, often a ship company, stipulating service for a period of years in payment for the servant's transportation from the Old World to the New and his maintenance during the period of service. These were free persons who came chiefly from the British Isles and from Germany to improve their conditions of life. Many of these persons sold themselves to emigration brokers, planters' agents, or shipowners, the sale taking place at the wharf. The newspapers of the period are filled with advertisements of the arrival of ships with a list of "indentured servants." In the absence of a ready sale at the wharf, these servants were chained together and led through the towns and villages where they were offered for sale.[1] In the state of Maryland there were "free-willers," a body of indentured servants who emigrated on the condition that they be given a certain number of days in which to dispose of themselves to the best advantage, at the end of which time, if no such voluntary negotiation was realized, they were sold in payment for transportation. In general, servants who emigrated prior to 1650 were bound for a period of seven to ten years, or longer, but the term of service was shortened later to four years.

As the raising of cotton and tobacco and some other staple crops became more profitable, and the demand for workers became so great that it was impossible to keep the workers on a low wage level, a regular trade in stealing persons for colonial servitude sprang up in England. Children and adults were enticed or forced upon vessels in the harbor and sold to shipowners or merchants about to depart for the colonies. Under this practice frauds became so common that in 1664 the Committee for Foreign Plantations interfered, and a committee was appointed to register the names and ages of those persons who desired to emigrate to America. The attempt to

[1] A. M. Simons, *Social Forces in American History*, p. 19.

remedy the evil of "spiriting away" servants was unsuccessful. Ten years after this measure was enacted it was stated that ten thousand persons were spirited away annually from England by kidnappers.[2]

Another group of indentured servants consisted mainly of paupers, criminals, and vagrants who were dispatched to the colonies under royal order or a court sentence or, later, judicial decision under the penal statutes of England. This system of sentences was often a substitute for the death sentence, fourteen years of servitude being deemed an adequate substitute for the death penalty and seven years a substitute for whipping and branding. The criminal offenses resulting in such sentences consisted of debt, and political offenses such as rebellion.

Professor John R. Commons estimates that probably one-half of all the immigrants of the colonial period landed as indentured servants. The treatment of these servants was such that laws were enacted to secure their protection from cruel taskmasters. Considered economically, the system of indentured service was advantageous, since it provided a much-needed labor supply and made possible the organization of labor forces under intelligent administration for specific purposes and for definite periods. Considered ethically, no advantages accrued. In fact the converse was true, the immorality of women servants and the system of kidnapping and selling young boys being sufficient evidence of the demoralizing influence of the entire system. Side by side with the indentured service was the wage system, under which the workers enjoyed freedom of migration. When voluntary immigration furnished an adequate supply of labor, the system of indentures disappeared.

Slave Labor.—The introduction of slavery had far-reaching effects upon the economic life and the social stratification of America. The colonies furnished a new and profitable market for the sale of human beings.

[2] E. L. Bogart, *Economic History of the United States*, pp. 67, 68. The author wishes to express his indebtedness to this work in the preparation of the present chapter.

Economic necessity made slavery an accepted system of labor. In the early years the supply of slaves was furnished by the Royal African Company of England, but following the year 1688, when the slave trade was thrown open, many New England merchants engaged in the traffic.

Antagonism to traffic in slaves disappeared as the profitableness of the enterprise became apparent. During the eighteenth century the famous three-cornered trade was developed by New England, in which molasses brought from the West Indies to New England was manufactured into rum and shipped to Africa where it was exchanged for slaves who in turn were transported to the West Indies or the southern colonies. The extensive application of slave labor to the production of cotton discouraged manual work by white persons and so diminished the available supply of free labor. In the South, therefore, slavery became the prevailing system of labor. As cotton culture spread the demand for slave labor increased and, in spite of prohibitory statutes, an illicit trade developed. In December, 1803, the state of South Carolina, influenced by the profitableness of the traffic, gave legal sanction to the slave trade, and Charleston became the premier market for slaves in the United States. This system of labor continued until the slaves were freed in 1865 by the thirteenth amendment to the federal Constitution. The status of labor under slavery was that of property.

The Development of the Factory System.—Conditions incident to the Revolutionary War stimulated the development of domestic manufacturing, especially of textiles, iron, and other essential commodities. The achievement of political independence did not result in industrial self-sufficiency, and the dumping of cheap goods by British concerns, after the establishment of peace, had disastrous effects upon the infant industries of the United States. The industrial development of this country, moreover, was retarded by the British monopoly of manufacturing machinery and her refusal to permit the exportation of

it. The secrets of the new inventions were guarded jealously, but American manufacturers secured the necessary information and invented their own machines. The first cotton factory in the United States was established at Beverly, Massachusetts, in 1787. Other factories were soon established in Rhode Island, New York, and Pennsylvania, but the development of American manufactures was rather insignificant until 1789, when the realization of a centralized government made possible protection of our infant industries. In the same year, at Pawtucket, Rhode Island, Samuel Slater established a factory with complete cotton-making machinery, the details of which he had carried in his memory from England.

In spite of these early developments, American manufacturing was still confined largely to the household, the factories being small and often short-lived. Several conditions explain the tardy development of industries. Foreign competition forced upon our markets cheaper goods than could be furnished by domestic producers, Europe needed our agricultural products rather than manufactured commodities, land was abundant and free, the wages of labor were high on account of scarcity, capital was extremely limited, and the profits accruing from agriculture and commerce were attractive on account of the continental wars. In 1804 there were only four cotton factories in the United States. In the immediate future, however, manufacturing was to assume a more important position. The status of the American wage-earner at this time was not favorable; long hours, low wages, limitation of intellectual and social life, irregular payment of wages, harsh laws of indebtedness, the lack of power to secure by a lien wages due him, and the absence of political power were among the conditions that made his lot not an enviable one. The absence of permanent and effective labor organizations precluded any efforts on the part of the workers to secure favorable legislation. The prevalent industrial individualism was opposed to any form of combination.

Subsequent to the year 1808 the United States was

destined to achieve more and more its ideal of economic independence and industrial self-sufficiency. Thrown upon its own resources by the passage of the Embargo Act (1807), the Non-Intercourse Act (1809), and the outbreak of the War of 1812, the youthful nation applied itself intensively to the development of domestic production of commodities which had been imported previously. The persistent demands for protective duties, immediate exploitation of natural resources, distribution of public lands, and internal improvements were major factors in hastening what proved to be America's Industrial Revolution. Manufacturing grew apace, and the factory system proper was introduced. Production of commodities was now carried on in response to a general and continually widening market, and the laborers were paid a definite wage for a working-day of specified length. With the introduction of the power loom the manufacture of woolen and cotton goods was transferred rapidly from the household to the mill, but even down to 1830 domestic and neighborhood systems of production prevailed in these and other industries.

By 1840 the nation was passing speedily from the era of the small factory to the stage of larger industrial organization and operation. Among the forces contributing to industrial expansion were the growth of population, the increase in immigration, the development of internal transportation facilities, the repeal of the English corn laws, the discovery of gold in California, and the settlement of western lands. Urban population increased from 8.5 per cent of the total in 1840 to 12.5 per cent in 1850. So general was the prosperity of the nation during the first sixty years of the nineteenth century that this period has been called the golden age. It was not without its adversities for the workers, however, since the depressions of 1837 and 1857 brought the usual problems of business recessions. The system of free labor did not change very rapidly during the first decades of the century. Masters, journeymen, and apprentices worked side by side without conspicuous distinctions as

to industrial status. The division of labor and the methods of production were simple, and the intimacy that characterized industrial relations prevented the rise of general labor unrest.

Following 1820, however, important industrial changes took place. Wider markets, the extension of waterways, highways, and railroads, the provision of banking facilities, and other developments resulted in the emergence of a merchant-capitalist class which assumed the ownership and direction of the country's wholesale business. The employer now sold his product to the middleman rather than directly to the consumer, and the exploitation of labor became a common practice. Increasing competition, an uncertain wage scale, a threatened standard of living, prison labor, sweatshops, and other unfavorable conditions emerged as the problems of labor. It was inevitable that labor should organize for protection, and between 1820 and 1860 the labor movement in America assumed a more or less definite and permanent position. Industrial action, political experiments, and communistic schemes were tried as methods of improvement.

The potato famine in Ireland in 1846, the political upheaval in Europe in 1848, and the discovery of gold in California in the latter year stimulated immigration to the United States. The urbanization movement assumed greater momentum, and by 1860 approximately 16 per cent of the entire population lived in places of eight thousand inhabitants or more. Technical improvements in the conditions of living, the development of transportation, and the concentration of industries in urban centers were the factors responsible for increasing urbanization. In the South the system of slave labor continued for many decades and was not abolished until 1865. During the period of the Civil War numerous labor problems arose. In spite of the unprecedented demand for labor and resultant wage increases, the abnormal advance in the cost of living and competition with child, woman, alien, and prison labor involved serious hardships for the

native male wage-earners. Organizations of labor were revived.

The United States was still predominantly an agricultural country in 1860, and even as late as 1880 more than 44 per cent of persons gainfully employed were engaged in farming. In manufacturing pursuits, however, there was an increasing class of wage-earners, comprising 21.8 per cent of the total population in 1880, of whom it is estimated that four-fifths were employed in factories. As the factory system developed, larger numbers of operatives were employed in a single establishment, and the machine continued its steady replacement of manual labor. Out of these industrial changes there evolved one of the most significant facts in the modern labor situation; namely, the increasing dependence of the working class upon capitalist-employers for the opportunity to work. From this there develops a second important fact in modern industrial experience; namely, the emergence of a sharp line of social cleavage between the employing class and the wage-earning class. In brief, the introduction and development of the factory system in the United States had created a new set of conditions similar to those which had appeared earlier in England. Among these conditions may be mentioned increasing employment of women and children, the growth of industrial unrest, immigration, sweated industries, and increasing urbanization.

The Growth of Manufactures and the Integration of Industry.—The industrial and commercial expansion of the United States subsequent to 1880 placed her in a position of first importance among the nations. The disastrous effects of the panic of 1873 stimulated the movement toward industrial consolidation. Unrestricted competition had driven into bankruptcy a great many small enterprises, and combination was seized readily as a refuge from receivership. The period of business revival following the panic of 1893 led to an increasing number of experiments in combination, and introduced an era of unprecedented integration in business organization. Cen-

sus statistics indicate the developments that took place in manufacturing.

STATISTICS OF MANUFACTURES IN THE UNITED STATES, 1899–1919

Year	Number of Establishments	Total Capital	Total Wage-Earners	Value of Products
1899	207,514	$8,975,256,000	4,713,000	$11,407,000,000
1904	216,180	12,676,000,000	5,468,000	14,794,000,000
1909	268,491	18,428,269,000	6,615,000	20,672,000,000
1914	275,791	22,791,000,000	7,036,000	24,247,000,000
1919[3]	290,111	44,776,000,000	9,098,000	62,428,000,000

The significant facts about these statistics are that while the number of establishments and wage-earners increased about 40 per cent and 80 per cent respectively, between 1889 and 1919, the total capital increased 400 per cent and the value of the products more than 460 per cent in the same period. This indicates: (1) an increase in the size of industrial establishments and a persistent process of industrial integration; and (2) remarkable progress in the application of machines to production. Judged according to capital invested, number of wage-earners employed, and the value of products, the individual enterprise and the partnership have been displaced by the corporation as the chief form of business organization in the field of manufactures.

The tendency towards integration in industry is shown in the case of the United States Steel Corporation and subsidiaries which had an average of about 268,000 employees in 1920. This corporation controls various kinds of industries, including steel mills, coke plants, bridge works, tin plate works, coal and iron mines, railroads, steamship lines, docks, and limestone quarries. Its control is extended over more than two hundred manufacturing and transportation companies, iron-ore mines

[3] Figures for 1919 are from the preliminary reports of the 1920 census and subject to revision.

producing about four-fifths of the iron mined in the United States, and approximately fifty per cent of this country's coke output. The capitalization of this company is about $1,000,000,000, its total assets are listed at about $2,430,000,000, and its capital surplus at $25,000,000. In 1911, 1.5 per cent of the one hundred thousand stockholders held 57 per cent of the stock, while the final control rested with a single private banking house.

In 1915 the Commission on Industrial Relations stated that the control of manufacturing, mining, and transportation is passing rapidly into the hands of great corporations through stock ownership and centralized control of credit by a small number of powerful financial institutions. A careful study showed that the corporations controlled by six financial groups and affiliated interests employed 2,651,684 wage-earners and had a capitalization of $19,875,200,000.[4] Hearings of the Interstate Commerce Commission in December, 1921, uncovered numerous interlocking directorates, prominent financiers having anywhere from four to sixty-six directorships in American railroads.

Integration of industry results in (1) a widening of the breach between the owners of industry and the wage-earners; (2) increasing power of resistance to labor organizations and their demands for desirable standards of wages, hours, and conditions of labor; and (3) powerful influence over politicians and legislatures, which makes possible the defeat of progressive legislation designed to aid wage-earners and consumers. In the giant corporations the personal relation between employer and employee is practically impossible. The general effect of centralized industrial control upon trade unionism and labor policies has been emphasized by the Commission on Industrial Relations: "Almost without exception the employees of the large corporations are unorganized as a result of the active and aggressive nonunion policy of the corporation managements. Furthermore, the labor policy

[4] *Final Report*, 1916, p. 80.

of the large corporations almost invariably determines the labor policy of the entire industry."[5]

The Growth of Population.[6]—The increase of the population of continental United States between 1790 and 1920 is shown in the following statistics.

STATISTICS OF POPULATION IN THE UNITED STATES, 1790-1920

Year	Population	Per cent of increase over preceding decade
1790	3,929,214	....
1800	5,308,483	35.1
1810	7,239,881	36.4
1820	9,638,453	33.1
1830	12,866,020	33.5
1840	17,069,453	32.7
1850	23,191,876	35.9
1860	31,443,321	35.6
1870	38,558,371	22.6
1880	50,155,783	30.1
1890	62,947,714	25.5
1900	75,994,575	20.7
1910	91,972,266	21.0
1920	105,710,620	14.9

These statistics indicate a uniform increase of about one-third in each of the seven decades between 1790 and 1860; approximately one-fourth in each of the three decades between 1860 and 1890; slightly more than one-fifth in each of the two decades between 1890 and 1910; and a little more than one-seventh in the decade between 1910 and 1920. The numerical increase during each decade has been greater than that of the preceding one, while the numerical increase during the decade 1910 to 1920 was greater than that for any other ten-year period except 1900-1910. The net gain from immigration has been an important factor in this growth. The continued decline in the decennial percentage of increase in population since 1860 suggests that free land as an incentive to

[5] *Ibid.*, p. 80.

[6] Statistics of population in this section are arranged from the Fourteenth Census of the United States.

immigration has diminished. Immigrants now enter our city industries, with the result that native wage-earners meet more serious competition than formerly.

Industrial expansion and increase in population have been accompanied by further urbanization since 1880, as the following table indicates.

URBAN AND RURAL POPULATION IN THE UNITED STATES, 1880–1920

Year	Total Population	*Urban* Per Cent of Total	*Rural* Per Cent of Total
1880	50,155,783	28.6	71.4
1890	62,947,714	35.4	64.6
1900	75,994,575	40.0	60.0
1910	91,972,266	45.8	54.2
1920	105,710,620	51.4	48.6

These statistics show that whereas, in 1880, 71.4 per cent of the population consisted of rural inhabitants, and only 28.6 per cent of urban inhabitants, in 1920 the former constituted only 48.6 per cent of the population while the latter constituted 51.4 per cent of the total.[7]

The Influence of Free Land on the Problems of Labor. —Throughout the nineteenth century political leaders and social reformers in the United States advocated easy acquisition of land by the masses, on the ground that the superior status of American wage-earners could be safeguarded only in so far as they could take up free land as an alternative to low wages. "The great fact is that so long as cheap lands lasted American laborers were insured against low wages, against unemployment, and they had the equivalent of the old age pension in the opportunity, which was generally taken, to secure land before the years of productive labor were over. Moreover, the children of the industrial laborers furnished constant accessions to the mass of independent land-holding citizens. Employers of factory labor recognized

[7] The Census Bureau classifies as urban population that residing in cities and other incorporated places having 2,500 inhabitants or more.

that, roughly, the wages they must pay corresponded to the productivity of labor as applied to the land."[8]

Increasing urbanization and increases in land values and farm tenancy indicate that free land has practically ceased to operate as a natural regulator of wages. According to figures issued by the Bureau of Census the total value of farms in the United States in 1920 was approximately $68,000,000,000, as compared with about $35,000,000,000 in 1910, representing an increase of 98.8 per cent for the decade. The value of the average farm increased from $5,471 in 1910 to $10,514 in 1920. The average value per acre of land and buildings was $16.32 in 1860, $19.81 in 1900, $39.60 in 1910, and $70.94 in 1920. The increase in the last decade was more than in the preceding half century. The second half of the decade 1910-1920 was a period of inflation which reacted upon land values.

Farm ownership is a status which is becoming increasingly difficult to acquire, a fact indicated not only by the above figures on farm values but also by statistics of farm tenancy issued by the Census Bureau in 1920. The problem of farm tenancy has become so serious that nearly two out of every five farms in the United States are operated by renters instead of by owners. Of the 6,448,366 farms in the United States in 1920, 3,925,090 were run by owners, 68,530 by managers, and 2,454,746 by tenants. Thus, about two-fifths (38.1 per cent) of the American farmers have no share in the ownership of the land they till, as compared with about one-fourth (25.6 per cent) in 1880. It is evident, therefore, that the passing of free land and the impossibility of purchasing high-priced land practically preclude the average wage-earner's escape from the almost intolerable conditions that often exist in machine industries.

Conclusions.—The abundance of relatively free land and the resultant economic opportunities prevented the early development of labor problems in the United States. Although this country had labor problems in the form

[8] Cleveland and Schafer, *Democracy in Reconstruction*, pp. 12, 13.

of indentured service and slavery, modern labor problems are commonly associated with machine industry and the factory system. The development of the factory system and the integration of industry resulted in a distinct cleavage between employer and employee functions and gave rise to well-defined industrial classes. Incident to industrial expansion are the problems of women and children in industry, excessive hours of work, sweatshop methods, immigration, and other industrial and social maladjustments.

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Part Two

ANALYSIS OF THE PROBLEMS

CHAPTER IV

THE STANDARD OF LIVING

The Standard of Living.—The term "standard of living" may be defined broadly as the quantities and qualities of food, shelter, clothing, and miscellaneous commodities and services which an individual or a group of individuals deems necessary to desirable human experiences. From this definition it will be readily inferred that there obtains no such thing as a standard of living in an absolute sense. That is, there is no standard or measure of an acceptable basis for desirable human experiences that is established universally and remains unchangeable. On the contrary, both in its *qualitative* and its *quantitative* aspects, the standard of living is a variable thing. Its variable and elastic character is seen by the fact that standards of living differ radically among different races and nationalities, as well as among different individuals and families within the same race and nationality. There is not one, but many standards of living.

It is necessary to emphasize, moreover, that the standard of living may vary greatly from time to time, both for the same individual and for groups of individuals; it is essentially a progressive thing, assuming a cumulative character as the individual or group acquires additional tastes and desires. This cumulative and varied aspect of human desires is of fundamental importance in the general economic and social progress of society, and plays a significant part in labor problems as the

human race in every part of the world advances in civilization. For instance, the wage-earner's standard of living tends to become higher as his class learns of and seeks to experience the pleasures resulting from the acquisition of additional want-satisfying goods and services. Consequently, as a gradually advancing standard is adopted, individuals and groups seek to obtain a readjustment of income to make possible the maintenance of the new standard. Dissatisfaction with old wage or salary levels develops, and industrial and social unrest is the inevitable outcome. Economic necessity is the mother of both invention and social unrest. When the price level rises to points that preclude the maintenance of accepted standards of living, or when income ceases to provide the requirements of the newly adopted standard, contentment ceases to be a virtue and unrest emerges as the expression of dissatisfaction with the *status quo*.

While the determination of the standard of living is largely a personal matter, the control of the prevailing standard is only partly subject to the jurisdiction of the individual. In so far as he wills to acquire new desires and tastes, the individual may set his own ideal standard. Even his desires and tastes, however, are largely a social product, an outgrowth of his social environment and an expression of the psychology of the society of which he is an integral part. Since the individual frequently makes no conscious attempt to effect a socially desirable adjustment between expenditures and income, any theory that would absolve the individual from all responsibility with regard to the standard of living would be ethically wrong and socially unwise. It is true, nevertheless, that the actual quantity and quality of material comforts that constitute the standard of living of any family are determined largely by social forces over which the individual family has little or no control. These social forces comprise: (1) the family income, or the income of those who are primarily responsible for the maintenance of the family, and (2) the general level of

commodity and service prices in terms of which the real income of the family must be measured; that is, the cost of food, shelter, clothing, and other goods and services essential to its subsistence and progress. Wages and the price level, accordingly, are the major determinants of the standard of living that obtains in any social group and, as a direct consequence, the possibilities of human well-being and advancement are limited and controlled by the operation of external forces.[1] Through the exercise of frugality individuals may make some adjustment in the standard of living in order to cope with changing prices, but not without sacrificing the formerly accepted standard. Moreover, it is possible by effective organization and collective bargaining to secure a readjustment in wage scales to meet the changing cost of living, but price phenomena are not so obviously within the control of individuals or groups.

Types of Standards of Living and Budget Levels.—Subsequent to the outbreak of the World War violent fluctuations in the price level constituted one of the major causes of industrial unrest, and studies in the cost of living became a fundamental requisite to wage adjustments. Studies in family budgets of economic groups have since assumed a position of primary and permanent importance in relation to the solution of one of the most acute phases of the labor problem—industrial disputes. The numerous analyses of family budgets that have been made distinguish several standards of living. (1) The *pauper-poverty standard* represents roughly a standard of living just above dependency, that is to say, a level that barely escapes the necessity of requesting aid from charitable institutions and benefit societies or where the alternative is the accumulation of a serious burden of indebtedness. (2) The *minimum of subsistence standard* represents essentially a mere animal existence and makes impossible the attainment of the comforts and desirable

[1] See R. C. Chapin, *The Standard of Living Among Workingmen's Families in New York City.*

experiences that should be associated with human beings in a progressive society. (3) The *minimum of health and comfort standard* indicates a standard somewhat above mere animal subsistence. This standard provides not only for the material necessities of food, shelter, and clothing, but also for certain desirable comforts of life. Among these added comforts are clothing in amounts not merely sufficient to guarantee physical comfort but to maintain satisfaction of the instinct of self-respect and decency; insurance against the more serious misfortunes such as death, disability, and fire; good education for the children of the family, a certain amount of amusement, and some expenditures for self-development. (4) The *standard of health and decency,* or the *normal standard,* comprises a more reasonable degree of comfort, respect, and human development than the standard of health and comfort represents. The standard of health and decency, or normal standard, was suggested by the United States Bureau of Labor Statistics a few years ago, in the preparation of a quantity budget for use by the Joint Commission of Congress on Reclassification of Salaries. The purpose of this commission was to reclassify employees of the federal government with the immediate object of readjusting their salaries, which have been very inadequate. In determining the quantities and in selecting qualities and ascertaining prices of commodities and services that constitute such a budget, the bureau kept in mind the minimum of health, decency, and comfort. Neither the poverty standard nor the minimum of subsistence standard were accepted by the bureau nor, indeed, should such standards ever be accepted by public agencies and private bodies, as a basis for wage adjustments. If the present economic system fails to guarantee to the deserving and efficient hand-workers and brain-workers of every country an income sufficient to make possible the maintenance of a minimum of health, decency, and comfort, it has failed to function successfully in the interest of social progress.

The Minimum Quantity Standard.—Because of the un-

stable character of the price level and the attendant variations in the cost of living, it is impossible to formulate a general and permanent cost budget. For this reason the quantity budget is of greater value in determining the necessary and desirable readjustments in the wage scale for a wide area. A quantitative measurement, therefore, is the only one that can be given general application. With few exceptions, the items in the family budget can be expressed quantitatively. In a quantity budget formulated for the District of Columbia by the United States Bureau of Labor Statistics, in 1919, it was found that approximately 85 per cent of the total cost was made up of items for which a definite quantity or amount had been expressed. *The quantity budget is one in which the requisites of food, shelter, clothing, and miscellaneous commodities and services for the maintenance of the desired standard of living are measured and expressed in terms of amounts or quantities, as contrasted with the cost budget which measures and expresses these items in terms of dollars and cents.*

Budgetary studies in the United States are usually based on a family of five—husband, wife, and three children below the age of fifteen years—which is commonly regarded as the typical American family. The average number in the families included in the cost-of-living study made by the United States Bureau of Labor Statistics in 1918-1919 was 4.9 persons, or 3.33 equivalent adult males. The average or typical family varies with the different countries. The minimum quantity budget requirements as outlined by the bureau for the average American family are worth noting in detail. These requirements may be summarized as follows:

1. A sufficiency of nourishing food for the maintenance of health, especially the health of children.

2. Housing in low-rent neighborhoods and within the minimum number of rooms consistent with decency, guaranteeing sufficient light and toilet facilities for the maintenance of health and decency.

3. The upkeep of household equipment, such as kitchen utensils, bedding and linen, requisite for the maintenance of health, but comprising no provision for the purchase of additional furniture to guarantee comfort.

4. Clothing sufficient for warmth, of sufficiently good quality to be economical, but with no further regard for appearance and style than is absolutely required to allow the family members to appear in public and participate in the limited activities of their immediate social group without slovenliness or loss of self-respect.

5. Provision for miscellaneous expenditures other than those already enumerated, that would allow only a minimum outlay for such necessary requirements as the following: (*a*) street car fares to and from work and for purposes of shopping and marketing; (*b*) a modest amount of insurance; (*c*) medical and dental attention; (*d*) contributions to churches, labor organizations, or other beneficial associations; (*e*) limited expenditure for amusements such as an occasional motion picture show or street car ride for pleasure, some Christmas gifts for the children, et cetera; and (*f*) subscription for a daily newspaper.[2]

In the preparation of a budget such as is outlined above two steps are involved; namely, the determination of the number of commodities and services essential to maintenance of the proposed standard of living, and the determination of its cost at the time and in the locality for which it is being prepared. Budgetary studies of this character provide a basis for a rational and scientific adjustment in wage scales, but precautions must be taken to prepare the budget in accordance with local conditions, which will vary greatly.

The Minimum Quantity Standard Not Ideal.—In outlining a minimum quantity budget the purpose is not to present an ideal standard, but rather to establish a bottom level of health and decency below which a family cannot

[2] U. S. Bureau of Labor Statistics, *Tentative Quantity and Cost Budget*, 1919, p. 6. For an itemized statement of this budget see the *Monthly Labor Review*, June, 1920, pp. 1-18.

go without danger of physical and moral deterioration. As a matter of fact this budget does not provide for a large number of comforts which should be included in a desirable American standard of living. For instance, it makes no direct provision for savings other than a small amount of insurance, nor for such requirements as vacations, books, and other commodities and services of general educational value. Such a budget, however, does provide for the maintenance of the family in health and moderate comfort. It provides for a sufficiency of food, respectable clothing, sanitary housing conditions, and a minimum of miscellaneous commodities and services that should constitute a part of every family's budget.

In speaking of an ideal standard of living it is well to keep in mind that, on account of the paucity of natural resources or deficiencies in the basis of wealth distribution, the great mass of humanity has not yet attained such a standard. Many persons speak of an American standard of living as though it were ideal. If the multiplicity of investigations of standards and costs of living that have been made in the United States during the last decade prove anything, they demonstrate conclusively that there is no such thing as *the* American standard of living in the sense of a superior standard giving all the necessaries, many of the comforts, and a goodly supply of the luxuries of life. In fact, there are many standards of living in the United States. When he was United States Commissioner of Labor Statistics, Dr. Royal Meeker had the following to say concerning this matter: "On the contrary, we find that there are as many different standards as there are different incomes and families of different sizes. In the lower income groups the living conditions are hard indeed. The incomes of the lower-paid workers must be increased and the cost of food, clothing, and housing, must be lowered to enable these families to meet the higher costs of subsistence. Social legislation is needed to give them better and cheaper food, clothing, houses, medical treatment, and insurance. Even in the higher

income groups conditions are not so easy as they are frequently pictured to us. Let us not be fooled by the cry that the American standard of living is the highest in the world. Let us make the minimum living standard in America one that will support life in decency and health."[3]

Changing Items in the Cost of Living.—Price fluctuations are of primary importance in a consideration of the problems of labor. The instability of the price level is illustrated by price movements between 1907 and 1921. Since they do not buy wholesale, wage-earners are interested chiefly in changes in the retail price of the basic commodities.

INDEX NUMBERS OF CHANGES IN THE RETAIL PRICES OF THE PRINCIPAL ARTICLES OF FOOD IN THE UNITED STATES, 1907-1921[4]

(Average for 1913 = 100)

Year	All commodities combined
1907	82
1908	84
1909	89
1910	93
1911	92
1912	98
1913	100
1914	102
1915	101
1916	114
1917	146
1918	168
1919	186
1920	203
1921	153

The influence that price fluctuations have on the cost of living is shown in the following table.

[3] U. S. Bureau of Labor Statistics, *Monthly Labor Review*, July, 1919, p. 13.

[4] *Ibid.*, December, 1921, p. 37. Twenty-two articles of food are included.

PERCENTAGE DISTRIBUTION OF FAMILY EXPENDITURES BASED ON $1,000 INCOME IN 1914, AND INCOME IN 1919 INCREASED EQUALLY WITH THE ADVANCE IN THE COST OF LIVING [5]

Item of Expenditure	DECEMBER, 1914		Approximate Per Cent of Increase in Cost, Dec. 1914 to Dec. 1919	DECEMBER, 1919	
	Amount Expended	Per Cent of Total Expenditure		Amount Necessary to Expend to Meet Increased Cost	Per Cent of Total Expenditure
Food.....	$430	43.0	91	$821	42.0
Clothing.....	130	13.0	198	387	19.8
Rent.....	180	18.0	25	225	11.5
Fuel and Light.	50	5.0	52	76	3.9
Furniture.....	50	5.0	175	138	7.1
Miscellaneous..	160	16.0	92	307	15.7
Total.....	$1,000	100.0	95	$1,954	100.0

It will be seen from the above statistics that in 1919 it took $1,954 to purchase the same amount of commodities as could be purchased in 1914 for $1,000. The increase in the cost of living between these two dates was approximately 95 per cent.

The changing character of the minimum of subsistence budget is shown in the experience of New York City. In 1907 the minimum of subsistenec budget necessitated an income of $825; in 1914, $876; and in 1918, $1,526. In May, 1920, evidence before the United States Anthracite Coal Commission showed that on the basis of prevailing prices the cost of bare subsistence in the anthracite region was $1,772.54, while $2,242 was deemed necessary to maintain an average family according to the minimum standard of health and comfort. The purchasing power of the dollar, taken as 100 cents in July, 1914, decreased to 48 cents in July, 1920, and in November, 1921, was

[5] *Monthly Labor Review*, July, 1920, p. 3.

about 61 cents. Changes in the cost of living necessitate readjustments in wage scales in order to maintain the standard of life. This is why such changes are accompanied almost invariably by industrial unrest.

The Standard of Living as a Basis for Wage Adjustments.—Protection of the standard of life has been designated as the fundamental purpose of labor organizations; trade union functions are crystallized in organized resistance to any changes that are likely to result in the degradation of the workers as a class.[6] Price inflation makes impossible the maintenance of customary standards of living, since in such periods wages lag behind prices. Price deflation, on the other hand, disturbs standards of life acquired in periods of prosperity after wages overtake prices; when prices fall wage-earners are reluctant to accept reductions in pay. This is probably why Professor Commons has called fluctuation of currency the greatest of all labor problems.

Consideration of family budgets as a basis for wage adjustments necessitates a distinction between money income and real income. The former consists of a person's income in terms of dollars and cents, while the latter comprises the commodities and services which can be procured in exchange for money income. Prior to the World War little use was made of family budgets as a basis for wage adjustments. In the period of the war this method was used widely by public and private agencies and the practice has been continued. In Great Britain numerous agreements have been made between organizations of employers and workpeople, providing for the regular and automatic adjustment of wage rates in accordance with variations in the cost of living. In December, 1920, it was estimated that 1,500,000 employees were covered by these agreements, while in August, 1921, the number was 2,750,000, or approximately equal to 40 per cent of the trade union membership of Great Britain. These agreements are found in such occupations as build-

[6] Sidney and Beatrice Webb, *History of Trade Unionism*, 1920 ed., p. 20.

ing and allied trades, metal trades, textile trades, railway service, and civil service.[7] The United States Anthracite Coal Commission of 1920 gave careful consideration to family budgets in relation to wages, and numerous employers have adopted the same practice.

The first step in a scientific readjustment in wage scales is the determination of the changes in prices that have taken place in the immediate vicinity of the plant; the second step involves an adjustment in the wage scale that will provide for the maintenance of the standard of life. Regarding such a policy of wage adjustments a corporation which has applied it has the following to say: "This means a careful analysis of the wage conditions, due regard being given to the current purchasing power of the dollar, and practical application of our findings to the solution of our own problem. We believe it fair and practical to 'give more in order to get more,' and in the recognition of the relative increase in living cost, as compared with the relative increase in wages in any given period, we are only laying the foundation for better conditions and better relations between men and management, which in turn will lead to the ultimate end of maximum production from any given set of conditions or facilities; and for the coincident results such as maximum wages, minimum costs, labor stability, equitable profits on capital invested, and mutual success and satisfaction to all concerned, viz., the worker, the manager, the owner, and the community of which these three are members. If we do not recognize this factor in our wage relations then we are bound to pay for it in one way or another. Briefly, when an individual finds his income does not permit him to maintain the standards of living to which he has been accustomed (to say nothing of reaching higher standards which human nature inherently desires as men advance in years) he soon gets into a frame of mind where he is torn between (*a*) lowering his standards of living by omitting certain articles of diet—making the

[7] British Ministry of Labor, *Labor Gazette*, Vol. XXIX, No. 8, August, 1921, p. 390.

old suit last another year, moving to cheaper quarters, or practicing other economies or substitutions—and (*b*) 'hitting the boss for a raise.'"[8]

This company obtained information from its employees concerning changes in the cost of living. An examination of the questionnaire showed that the same commodities and services used in the same quantity by the standard family of five in the years 1913, 1915, 1917, 1918, and 1919 could be purchased in 1913 for $4.06 per day and in May, 1919, for $7.39 per day, an increase of 81.6 per cent in the daily living cost. This percentage of increase was accordingly adopted as the basis for wage adjustment. A wage advance carrying from two and a half to eight cents an hour on all classes of labor was put into effect.

The results of this voluntary adjustment on the part of the management were: (1) It strengthened the workers' faith in the watchfulness of the management over the conditions that affect their interests, and demonstrated the fact that it is possible to settle grievances in an amicable manner; (2) it paved the way for additional application of the principles of scientific management to the operation of the business; and (3) the cost of increasing the wage scale was approximately ten per cent in its net effect on the annual pay-roll, but reduction of wasted effort and the introduction of other economies more than compensated for the increase. The company has decided to continue this policy with regard to wages, and states that by standardizing its methods and by semi-annual or quarterly review of price changes wage adjustments will become an important factor in its business affairs.

Numerous difficulties are met in adjusting wage scales to the cost of living. (1) The question arises as to what constitutes a living wage. There is no general agreement as to the nature of such a wage. In wage arbitrations, however, there is growing recognition of the conception

[8] See Bulletin of the Taylor Society (New York), October, 1919, pp. 29-46.

that a living wage is not merely a subsistence payment, but an income sufficient to provide the minimum physical needs of food, clothing, and shelter and a reasonable measure of health, recreation, and education. Under price fluctuations this wage will vary so that there can be no fixed sum designated as a living wage. (2) To what extent can family budgets be used in the determination of adequate wages? What standards are to be accepted? What type of family is to be considered? All standards of life thus far formulated constitute a minimum level below which income and expenditures cannot fall without sacrificing essentials, but above which they may rise in the interest of added comfort and culture. As a basis for budgetary studies, the typical American family of five has been condemned as not most representative of American wage-earners. Since no more accurate standard has been formulated, however, it is necessary to use this one. (3) The opposition of organized labor must be recognized as a factor limiting the use of the cost of living as a basis for wage adjustments. The executive committee of the American Federation of Labor, in a meeting at Atlantic City, New Jersey, August, 1921, went on record as favoring the abolition of wage determinations solely on the basis of the cost of living. It was contended that: (*a*) The American trade union movement believes in the progressive improvement of the working class; (*b*) the practice of fixing wages solely on the basis of the cost of living is a contravention of sound economic theory; (*c*) the practice has led to a classification of human beings and a standardization of classes, each group having a presumptive right to a given quantity of various commodities; and (*d*) the necessity and desirability of improving constantly the standard of life impel labor to take a deep and intelligent interest in management, to secure both proper direction of productive effort and just distribution of the increasing product of industry.

The objections raised by organized labor against the cost of living as the only determinant of wages do not imply opposition to adjustments on the basis of a progres-

sive standard of living. In explaining the position of the executive committee Mr. Gompers stated: "The workmen need a wage that insures something more than enough barely to exist. The workmen need some of the worth while things of life; some of the little luxuries and the finer things of life." No matter what position may be taken with regard to budgetary studies as an aid to wage adjustment, it will be necessary always to ascertain changes in the cost of living in order to determine whether prevailing wage scales are adequate to provide a desirable standard of life. Intelligent investigation may avert unnecessary industrial strife.

Conclusions.—The standard of living is not a fixed but a variable thing, determined partly by the individual but largely by social and economic forces over which the individual exercises little or no control. Of the various standards proposed, it seems proper that America should adopt the standard of health, decency, and comfort. The quantitative determination of such a standard is practicable, while the cost determination will depend on the prevailing price level in different communities. In wage adjustments it is essential that attention be directed to the real wage, or the purchasing power of the dollar, and not to nominal or money wages. Increasing use of investigations of the cost of living in relation to wage adjustments promises to promote industrial goodwill and peace, provided a progressive standard of life is recognized. If approached in a proper manner and given all the facts, there is no reason to believe that labor will oppose wage reductions in periods of falling prices.

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CHAPTER V

WEALTH, INCOME, AND WAGES

Definitions.—Wealth is commonly referred to either as a quantity of commodities on hand at a particular time or as a flow of goods during a period of time. An individual is poor or wealthy according to the magnitude of his claim on economic goods and services available for the satisfaction of his wants in the present and the future. The term income, when used in a practical sense, refers to the amount of money which an individual receives from the investment of capital or from services. The income of the laboring classes usually is identical with wages, or the payment received for labor. Nominal wages, it will be recalled, are the amount of money which an individual receives for work, while real wages consist of the quantity of goods and services obtainable with money wages. The fundamental consideration of every normal individual is not the size of his money income, but the capacity of such income to command goods and services in exchange. Real income, and not nominal income, is what counts. One's income, therefore, must always be interpreted in terms of the prevailing level of prices which must be paid for commodities and services required in the satisfaction of wants.

Wealth and Economic Status.—If economic and social status is determined largely by the power to command wealth, the distribution of wealth and income is an important social problem. In America, at least, wealth is generally, although wrongly, accepted as the standard of success and achievement, and in every country wealth is the foundation of economic and social well-being. Food, shelter, and clothing are the requisites of existence, and to these the normal men and women wish to add a certain

amount of culture, leisure, and luxury. Such satisfactions, however, cannot be procured except in exchange for monetary values.

The most persistent and at the same time the most tragic fact in the experience of the wage-earning classes is their economic insecurity, that is, the absence of an assured source of income. It is a significant, though not altogether pleasant, fact that the majority of people under the present economic system are economically dependent upon a minority who own and control the machinery of production and distribution of wealth. The majority depend upon someone else for the opportunity to earn a living, a fact which explains their economic subordination. At all times under modern industrialism, the employer of labor controls the chance to work and, consequently, the chance to live. Economic dependence rather than economic freedom, therefore, is the characteristic status of most individuals. As the supply of free land diminishes, industrial dependence becomes greater, and there is no outlet for the world's workers who are dissatisfied with industrial conditions. Unemployment, debt, and poverty are ever potential or actual fears for those who do not own and control the opportunity to work. The ownership of wealth or of the agencies that produce wealth is, then, a coveted status. It is for this reason that the distribution of wealth and income is such an important problem for those who toil with hand and brain.

The Distribution of Wealth and Income.—Unreasonable disparities in the distribution of wealth and income are a persistent cause of social unrest. Such inequalities explain to a great extent the present world protest of the working classes. The tendency of wealth to concentrate in a few hands, whether resulting from legitimate practices or not, has always been a cause of bitter complaint by the less fortunate of the population. "The rich are getting richer and the poor are getting poorer" is a familiar form of protest against this tendency. It is true that large fortunes are increasing in size and number, but there is also reason to believe that pauperism is de-

creasing and that the toiling masses are better off both relatively and absolutely than they have been in almost any preceding century. It is an interesting fact, nevertheless, that, as Professor Charles Gide observes, the inequality of wealth continues even after many other inequalities between persons have been eliminated. Civil equality has been secured through law, political equality through universal suffrage, and now a certain kind of intellectual equality seems to be developing from the rapid spread of free education.[1] Hereditary inequalities cannot, of course, be eliminated so easily by artificial agencies, and the stubborn inborn forces of race will continue as a barrier to absolute equality. This fact has no little significance in explaining the persistence of extremes of wealth and poverty.

Social unrest is largely the reflection of a deep-seated conviction in the minds of the masses that wealth and income are often distributed without regard to any acceptable or desirable standard of justice. This conviction, the United States Commission on Industrial Relations suggests, "is found among all classes of workers and takes every form from the dumb resentment of the day laborer, who, at the end of a week's back-breaking toil finds that he has less than enough to feed his family while others who have done nothing live in ease, to the elaborate philosophy of the 'soap-box orator,' who can quote statistics unendingly to demonstrate his contentions. At bottom, however, there is the one fundamental, controlling idea that income should be received for service and for service only, whereas, in fact, it bears no such relation, and he who serves least or not at all, may receive most."[2]

What are the facts concerning the distribution of wealth and income in the United States that lead to general unrest among the wage-earning groups? No absolutely correct information concerning this distribution is available at present, but several reliable studies have been made. In 1896 it was estimated that seven-eighths

[1] Charles Gide, *Political Economy*, p. 451.
[2] *Final Report*, 1916, p. 30.

of the families in this country held but one-eighth of the national wealth, while 1 per cent of the families held more of the nation's wealth than the remaining 99 per cent.[3] Several years ago (1915) Professor W. I. King estimated that the poorest class of the population of the United States—those who possess little or no property—constitute 65 per cent of the population and own only about 5 per cent of the nation's wealth; the middle class, who constitute 33 per cent of the population, own 35 per cent of the wealth; while the rich, who form but 2 per cent of the population, own 60 per cent of the wealth. The middle class is divided into the upper middle class and the lower middle class, the former comprising that 18 per cent of the population who own from $2,000 to $40,000 worth of property, and the latter that 15 per cent who own about $1,000 worth of property. The rich are those who have wealth amounting to $50,000 or more and who, as a class, own three-fifths of the nation's wealth. From this study it was deduced that, on the basis of the 1910 census, less than 2,000,000 people owned more of the national wealth than the other 98,000,000, and that the richest 2 per cent of the families received about one-fifth of the aggregate income while the poorest two-thirds of the families received about 39 per cent of the total income.[4] The total wealth of the United States is often estimated at $250,000,000,000, and the national income from $40,000,000,000 to $60,000,000,000.

In 1921 the National Bureau of Economic Research published the results of a very thorough study of the distribution of income in the United States.[5] Basing its conclusions on income statistics for 1918, the bureau estimated that 60 per cent of the national income was divided among the 86 per cent of the gainfully employed who had incomes less than $2,000 a year, and about 40

[3] C. B. Spahr, *The Present Distribution of Wealth in the United States*, p. 69.

[4] See *Wealth and Income of the People of the United States*, by W. I. King.

[5] See *Income in the United States*, by the National Bureau of Economic Research.

per cent of the national income among the 14 per cent of the gainfully employed who had incomes exceeding $2,000. The most prosperous 5 per cent of income receivers—those receiving incomes of $3,200 and above—had nearly 26 per cent of the total, while the most prosperous 20 per cent of income receivers—those receiving above $1,700—had about 47 per cent of the total income.[6]

It is the existence of a number of very large incomes that is most responsible for the growth of envy and unrest among American workingmen. In 1914 there were 44 families with incomes of $1,000,000 or more, whose members were said to perform practically no service to the nation but whose aggregate incomes, totaling at least $50,000,000 a year, were equal to the earnings of 100,000 wage-earners who received $500 each.[7] In 1916 there were 206 personal returns showing annual incomes of $1,000,000 or over and an aggregate income of more than $464,000,000, or the equivalent of the earnings of 464,000 wage-earners whose annual average wage was $1,000. The aggregate income of $306,835,914 received by 141 persons whose net incomes in 1917 were $1,000,000 and over was equivalent to the total earnings of approximately 307,000 laborers whose annual wages averaged $1,000. In 1919 there were 5 personal returns showing incomes of $5,000,000 and over; 6 of incomes from $3,000,000 to $4,000,000; 13 of incomes from $1,500,000 to $2,000,000; 34 of incomes from $1,000,000 to $1,500,000; 60 of incomes from $750,000 to $1,000,000; 129 of incomes from $500,000 to $750,000, and 140 of incomes from $400,000 to $500,000.[8]

The Earnings of Labor.—Contrasted with the affluence of a few, as indicated by statistics of incomes, is the necessitous position in which the general mass of wage-earners' families find themselves. The Commission on Industrial Relations concluded in 1916, that, ignoring the

[6] *Ibid.*, pp. 146, 147.

[7] U. S. Commission on Industrial Relations, *Final Report*, 1916, p. 30.

[8] Statistics of income returns published by the U. S. Treasury.

relatively few fairly well-paid workers such as glass blowers, railroad men, and builders, whose annual incomes range from $1,500 to $2,000, the majority of American wage-earners did not receive an adequate wage. Investigation had shown that from one-fourth to one-third of the male workers 18 years of age and over in factories and mines, were receiving less than $10 a week; two-thirds to three-fourths were earning less than $15; and only about one-tenth were earning more than $20 a week. From two-thirds to three-fourths of the women workers in factories, stores, laundries, and industrial occupations generally were working for less than $8 a week; approximately one-fifth for less than $4 a week; and nearly one-half for less than $6 a week. The earnings of children were even less satisfactory.[9] Half of the wage-earners' families in the United States in 1916 were said to have an income below the requirements for subsistence.[10] Available information concerning the incomes of wage-earning families before the World War indicates that the average wage was between $700 and $800 a year, which was less than the minimum required for the subsistence of a normal family.

The war brought with it changes in prices and wages. To what extent did the wages of labor catch up with prices? While it is conceded that the wage level was given a substantial boost, impartial investigators concluded that, on account of the unprecedented increase in prices, the real wages of the average laborer, except in a few war industries, did not improve very materially. Statistics of income for 1918 show that about 86 per cent of persons who were gainfully employed had incomes of less than $2,000, and about 14 per cent had incomes exceeding that sum.[11] At the same time, official investigations of the cost of living indicate that not less than $2,242 was required to maintain an average family ac-

[9] Commission on Industrial Relations, *Final Report*, 1916, pp. 31, 32.
[10] Carleton H. Parker, *Atlantic Monthly*, Vol. 120, pp. 659, 660.
[11] National Bureau of Economic Research, *Income in the United States*, 1921, p. 146.

cording to the minimum standard of health and comfort. Union scales of time wages, as computed by the United States Bureau of Labor Statistics, were 89 per cent higher in 1920 than in 1913, while the retail prices of principal articles of food were 103 per cent higher and other items in the cost of living also had advanced to an unprecedented level. A careful study of recent wage and price movements has led to the conclusion that "at the termination of the war the return in commodities which the American workman received for an equal length of time worked (one hour) was from 10 to 20 per cent less than it was in the decade 1890-1899, and from 7 to 17 per cent less than it was before the sharp upward movement of prices in 1916. The purchasing power of the established week's work, moreover, was from 20 to 30 per cent less than in the nineties and from 10 to 20 per cent less than in 1915. American labor as a whole, therefore, cannot legitimately be charged with having profiteered during the war." [12] Following 1920 wage reductions of from 10 to 30 per cent were generally made, except in the highly skilled trades that are powerfully organized. Between 1915 and 1920 unskilled, unorganized workers suffered serious disadvantages on account of the failure of wages to keep pace with the cost of living, which rose with unprecedented rapidity. Subsequent to 1920 these workers suffered on account of the precipitate decline of wages to levels unwarranted by the slight reduction that had taken place in the cost of living.

Salaried groups, like unorganized wage-earners, suffered seriously as a result of price changes. A study of government employees in the District of Columbia showed that 91,791 employees had an average salary of $1,321 in 1919, as compared with an average of $1,096 in 1893, although in 1919 it took $2,839 to maintain in that locality the same standard that could be maintained by $1,096 in 1893. The report of the United States Commissioner

[12] Paul H. Douglas and Frances Lamberson, "The Movement of Real Wages, 1890-1918," *American Economic Review*, Vol. IX, No. 3 (Sept., 1921), pp. 425, 426.

of Education for 1917 showed that in 1915 the average salary for all public school teachers was $543.31, or $1.73 per working-day. It was estimated that teachers' salaries increased from $543.31 in 1915 to $630.64 in 1918, a gain of only about 16 per cent. The cost of living had increased more than 86 per cent in many communities. Statistics from every part of the country support the conclusion that, with a few exceptions, salaried and wage-earning groups in the United States do not share in the national income to an extent adequate to guarantee the maintenance of a minimum standard of decency and comfort. Even the small savings some workers had been able to set aside during the war were exhausted by the severe period of unemployment in 1921 and 1922.

Some Social By-Products of Low Wages.—Inadequate incomes make it impossible for the working classes to enjoy desirable conditions of housing, proper and sufficient food and clothing, efficient medical and dental care, and necessary periods of rest and recreation. This necessitous condition, together with the industrial employment of mothers and the accidents, diseases, and fatigue resulting from employment, accounts for the excessive rates of morbidity and mortality among low-income groups. It has been said that as we ascend the social scale the span of life lengthens and the death rate diminishes gradually, the death rate of the poorest class of workers being three and one-half times that of the well-to-do.[13] A French economist makes practically the same observation when he states that the average life is three times as long in the rich classes as in the poor; so that, by a cruel irony of fate, the smaller the share of wealth which falls to a man, the greater tribute he pays to illness, death, and crime.[14] In Glasgow, Scotland, the death rate of occupants of one and two room cottages was 25.7 per thousand, and among those occupying houses of five or more rooms the death rate was only 11.2 per thousand.[15]

[13] John Spargo, *The Bitter Cry of the Children*, pp. 7 *et seq.*
[14] Charles Gide, *Political Economy*, pp. 452, 453.
[15] Arthur Newsholme, *Vital Statistics*, p. 163.

The following summary of data on the relation of earnings to infant mortality rates in the United States is striking evidence of the undesirable effects of inequalities in the distribution of income:

INFANT MORTALITY RATES ACCORDING TO FATHERS' EARNINGS (EIGHT CITIES)[16]

Earnings	Infant Death Rate Per Thousand
Under $450	168
$450 to $549	134
$550 to $649	118
$650 to $849	108
$850 to $1,049	84
$1,050 to $1,249	64
$1,250 and over	64

It will be seen from the foregoing figures that the death rate for the babies whose fathers earned less than $450 was 168 per thousand births, or more than one in every six, while for those whose fathers earned $1,250 or more the death rate was 64 per thousand, or only one in sixteen. Of the nearly 23,000 babies studied, 18.2 per cent had fathers who earned $1,050 and over; the fathers of 6.2 per cent earned $1,050 to $1,249; of 12 per cent, $1,250 or more; of 26.7 per cent, less than $550; of 36.9 per cent, between $550 and $849; and of 15.2 per cent, from $850 to $1,049.[17]

One-third of all American school children of pre-school and school age are said to be malnourished, and from 20 to 40 per cent of those graduating from elementary schools are physically unfit; three-fourths of the 22,000,000 school children in this country have health defects that injure them as prospective citizens, and at least 4,500,000 are suffering from malnutrition. It is estimated that among children with health defects there are 5,000,000 with defective eyes and from 11,000,000 to 16,000,000 with defective teeth. It has been found that while the

[16] Compiled from the Sixth Annual Report of the Chief of the U. S. Children's Bureau, 1918, p. 11.

[17] *Ibid.*, p. 12.

food required by a child in a Philadelphia working-class family during the first sixteen years of life would cost $1,750, the family was actually able to expend only $718, or approximately 41 per cent of what should have been spent to guarantee the minimum requirements of health and decency.[18] Ignorance as well as poverty accounts for a good deal of unhygienic living, but there is an irreducible minimum of income below which it is impossible to provide adequate and proper diet. Moreover, it should be remembered that ignorance itself is often a product of poverty.

Wage Scales as an Index of Earnings.—Much misapprehension of the labor situation develops from failure to recognize the numerous factors that influence the actual earnings of labor. The wage scale prevailing in any occupation or industry is not necessarily an accurate measure of the earnings of the workers. The loss of working time is a very important factor that is seldom recognized in wage statistics. Seasonal slackness and periodical industrial depression, as well as other irregularities in employment, diminish the actual income of labor. Regularity of employment is at least as important to the wage-earner as an adequate wage scale. The length of the working-day is another factor that is seldom recognized. For example, the favorable rates of wages prevailing in the steel industry in the United States have often been cited without reference to the fact that the twelve-hour day has generally been maintained. Overtime also often fails to receive recognition in statistics setting forth the earnings of labor. Finally, statistics are usually given for money wages and not for real wages or purchasing power. Since price changes directly affect the real earnings of labor it is always necessary to take into account the changes in the cost of living.

The Economy of Adequate Wages.—One of the many fallacious notions that prevail in industry is that cheap labor is profitable labor. The more enlightened employers

[18] *Standards of Child Welfare*, U. S. Children's Bureau, Publication No. 60, pp. 238, 248, 250. See also pp. 26-30.

have recognized long since that cheap labor is expensive labor. Whether viewed from its economic or its social effects, underpaid labor is undesirable and uneconomical. Underfed, inadequately clothed, poorly housed workers are discontented workers, inefficient producers, and poor purchasers. The belief has been general that the better-paid American workers are more efficient than the poorly paid European and Oriental workers. America's greater productivity can be attributed largely to her superiority in the technical organization, administration, and operation of industry. A no less significant factor, however, is that American labor, on the whole, has been much better paid and, consequently, much better fed, clothed, and housed, all of which help to determine efficiency and stimulate business activity on account of increased buying power.

In its social consequences, an inadequate wage scale imposes a heavy burden upon the community which, through its charitable agencies, must ultimately make up the deficit in the earnings of labor. The families of underpaid workers become dependents and public charges, if, indeed, they do not become delinquents. The almshouses, public hospitals, and penal institutions of the world have always had among their inmates individuals who, had they been compensated adequately for their productive efforts in industry, would not have resorted to charity or public guardianship. Inadequate earnings are not the only cause of these social problems, but they constitute one of the most important causes.

The undesirable economic and social effects of low wages are accountable in a large measure for the serious and persistent indictment of the present industrial and social order. Socialism, communism, syndicalism, anarchism, and other forms of radicalism have never achieved the results in the United States that they have in Europe, chiefly because American labor has been much better off. Adequate wages not only conduce to industrial efficiency under normal conditions, and preclude the development of serious social problems, but also tend

to diminish the power and influence of revolutionary philosophy. It is an important fact that skilled workers, who are better paid than unskilled workers, have been and remain the conservative, constructive force in the labor movement. This is illustrated by the policies of the railroad brotherhoods and the American Federation of Labor, as contrasted with the policies and purposes of such radical organizations as the Industrial Workers of the World, the membership of which is recruited mainly from the ranks of the poorly paid unskilled laborers. The United States Commission on Industrial Relations observed that: "The welfare of the State demands that the useful labor of every able-bodied workman should, as a minimum, be compensated by sufficient income to support in comfort himself, a wife, and at least three minor children, and in addition to provide for sickness, old age, and disability. Under no other conditions can a strong, contented, and efficient citizenship be developed. Under existing conditions such an income is not received by fully one-half of the wage-earners employed in industry."

Conclusions.—The tendency of wealth to concentrate in a relatively few hands and the existence of a number of what may legitimately be termed "excessive incomes" are facts that have a significant effect upon the growth of social unrest among the masses. Unreasonable disparities in the distribution of wealth and income, no matter on what ground they may be justified, accentuate the strife that obtains between economic classes and threaten social peace and progress. Social well-being is inextricably related to income, and those whose incomes are lowest must pay severe penalties in malnutrition, disease, and death. Except in the case of the highly skilled and well-organized wage-earning groups the income of industrial workers is not adequate to guarantee the necessary protection of minimum standards of health, comfort, and decency. This will be found especially true in the case of wage-earning women and children, whose earnings are discussed in later chapters. Certainly a society

that desires to make progress in an orderly manner cannot look with complacency upon the failure of the industrial system to compensate justly those who toil.

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CHAPTER VI

THE DETERMINATION OF WAGES

The Wage System.—As ordinarily defined, wages consist of the income which a man receives in exchange for his labor. Such a definition, however, is too comprehensive, since one might readily think of capitalists, landlords, and business enterprisers as receiving an income for their labor, either intellectual or physical. Wages are the share in distribution which is assigned to the laborers in return for their efforts in production, as distinguished from rent, interest, and profits which are the shares assigned to land, capital, and the business enterpriser, respectively. The term wages is applicable not to every method of remuneration of labor, but only to a "special mode known as *the price of labor hired and employed by an entrepreneur. . . .*"[1] This definition implies clearly that in modern industrial society there is a "laboring class," which is generally differentiated from professional men and salaried employees who are also wage-earners in the general economic sense. What may be designated the "laboring class proper" includes the great mass of skilled, semiskilled, and unskilled laborers, factory hands, agricultural workers, mercantile clerks, and employees in other occupations who sell their labor for wages.

The wage system is inseparable from modern industrialism with its individualistic or semi-individualistic character. Whether wages represent the ideal method of industrial remuneration and the wage system constitutes the final stage in the development of that remuneration is at least a debatable question. At any rate, the wage system is different from preceding systems of employment, and is to-day the dominant method of industrial

[1] Charles Gide, *Political Economy*, p. 572.

compensation. In a state of savagery the laborer directs his own labor and becomes sole owner of his product; under slavery the master owns and directs the laborer and his labor, and has complete ownership and control of the product; under the wage system the employer purchases labor offered for sale by the laborer, pays a specific price for the labor, and secures complete ownership and control of the product. Thus the wage system is a relatively new method of industrial remuneration; "a method," as Professor Gide states, "which only becomes general with the modern capitalistic organization of industry, and may possibly disappear along with it." [2]

The Problem of Distribution in Relation to Labor.—It is often said that we have measurably solved the problem of wealth production. A hundred years of modern industrialism has increased the production of wealth beyond all precedent. While it may be true that, mechanically, the problem of wealth production has been solved, there are human elements in production which are only just beginning to command attention, and until the specific problems associated with the human factor in industry have been solved a solution of the general problem of production will not be perfected. Nevertheless, the majority of social problems that command the attention of social analysts to-day deal directly or indirectly with the distribution of the product of industry. Social well-being and social progress depend upon the proper solution of this problem. Social reformers are constantly asking why it is that so much poverty exists in the midst of so much wealth and national prosperity. The general answer is: There is a conspicuous maladjustment in the distribution of the product of industry. The problem of distribution, therefore, necessarily consists in ascertaining the causes of inequality in the distribution of the product of industry and in formulating an efficient remedy for this maladjustment. For over a century economists have tried to discover the fundamental determinants of the shares which the factors in production—land, labor, capital,

[2] *Ibid.*, pp. 572, 573.

and the entrepreneur—receive in distribution of the product. It is not within the province of this discussion to analyze the general problem of distribution; it is concerned primarily with the determination of the price of labor, or wages. A résumé of wage theories will aid materially in forming a judgment concerning the nature of these determinants.

The Cost of Subsistence Theory.—The fundamental postulate of the first important and scientific theory of wages was that the income of labor is determined by the cost of subsistence of the laborers. The basis of this theory is the fact that labor-power, under the wage system, is a commodity bought and sold on the market. The workers offer their labor for sale; the employers purchase this labor. The sole determinant of the value of labor is the cost of commodities on which the laborers subsist. The cost of producing the labor supply will depend upon: (1) the price of all the commodities and services which the laborer must have in order to maintain his productive power; and (2) the amount necessary to maintain the labor supply, that is, to replace worn-out laborers, which is measured by the actual cost of rearing a child to adult age.

The advocates of this theory call attention to the fact that labor, like all other commodities, has its *natural price* and its *market price.* "The natural price of labor is that price which is necessary to enable the laborers, one with another, to subsist and perpetuate their race, without either increase or diminution." The natural price of labor, therefore, depends upon the cost of subsistence. The market price of labor is the price that is actually paid for it in response to the operation of the forces of supply and demand. The market price will be high when labor is scarce, and low when labor is abundant. The market price of labor, like the market price of any other commodity, tends to conform to the normal price—the cost of production. Whenever the market price of labor exceeds the natural or normal price the worker enjoys prosperity because of increased wages. But high wages serve

merely to swell the supply of labor and degrade the position of the worker. Here, however, natural law rescues the worker from continued wretchedness and poverty. The lack of necessities resulting from low wages automatically diminishes the population and, consequently, the labor supply. The return to a normal wage takes place as the labor supply falls off. An increase in the demand for labor may force a similar readjustment.

The worker is crushed between high prices on the one hand and low wages on the other. The reproductive instinct operates continually to increase the population, thus enhancing the supply of labor, and the law of diminishing returns operates always to force a continuous rise in commodity prices. The advocates of the subsistence theory contend that: "The condition of the laboring poor, supposing their habits to remain the same, cannot be very essentially improved but by giving them a greater command over the means of subsistence. But an advantage of this kind must from its very nature be temporary, and is therefore really of less value to them than a permanent change in their habits." Economic organization will avail nothing; the wages of labor inevitably tend to a minimum cost of subsistence. It is little wonder that Lasalle characterized this theory as "The Iron Law of Wages." Under the operation of such a law the condition of the working classes would be irretrievably hopeless.

Such a theory of wages is obviously untenable. It has been justly criticized as being mainly a theory of the supply price of labor, neglecting almost entirely the possibility of a demand price. Even as a theory of the supply price of labor it is not adequate. The supply price of labor is not determined solely by the cost of bare subsistence. The cost of subsistence is not a minimum below which the wages of labor cannot fall, nor is it a maximum above which the wage level may not rise. Moreover, the cost of subsistence is not a definitely measurable concept. The standard of subsistence is not a fixed but an elastic thing. The cost of subsistence theory of wages

is based upon the assumption that labor is a commodity having all the characteristics of other commodities that are bought and sold on the market, yet the theory makes practically no allowance for the demand price of labor. Not only is labor not a commodity, but it has both a demand price and a supply price, each of which are characterized by variation. Moreover, effective labor organization is able to raise the scale of wages above the minimum required for subsistence.

The Wages-Fund Doctrine.—The cost of subsistence theory of wages was superseded by the wages-fund doctrine, which states that the rate of wages depends on the proportion that obtains between the population and capital—supply and demand. The supply of labor consists of those who are seeking employment, while demand consists of capital seeking investment in productive enterprise. Wages depend on the proportion of the laboring population to the quantity of capital—the quantity of food, raw material, machinery, and other fundamental requisites of production. If population increases without a corresponding increase in the capital fund, a decline in wages takes place; if the capital fund increases without a proportionate increase in population, wages inevitably rise; if the ratio remains constant, the wage scale will not change. "Wages, then, depend mainly upon the demand and supply of labor; or, as it is often expressed, on the proportion between population and capital. By population is here meant the number only of the laboring class, or rather those who work for hire; and by capital, only circulating capital, and not even the whole of that, but the part which is expended in the direct purchase of labor."[3] According to the wages-fund doctrine the workers cannot influence the labor market. The law of wages is as independent of them as is the law of gravitation; both are beyond their control. Economic organization, custom, legislative interference, or any other regulatory measures are impotent before this

[3] John Stuart Mill, *Principles of Political Economy* (Ashley Edition), Book II, Chap. XI, p. 343.

law. The only source of variation lies in increasing the wages-fund by saving more capital for the employment of labor, or in the application of the Malthusian principle of limiting the population by delayed marriage and control of the birth rate.

That the wages of labor are paid out of a fund of capital is undeniable. Critics of the wages-fund doctrine, however, have pointed out that the doctrine is untenable because: (1) As a matter of fact, there is no distinct fund which is definitely apportioned for the payment of wages, and (2) the doctrine is based upon a wrong interpretation of the influence and nature of demand and supply in the determination of the price of labor. Early critics of the doctrine endeavored to prove that wage-earners by effective organization can influence the rate of wages. Indeed, it was the increasing effectiveness of labor organization that totally discredited the doctrine in its original form. Later critics have shown that the circulating capital which constitutes the wage-fund is itself a product of labor-power. The wages-fund is a reservoir filled by a pump, as needs require, and this pump is labor. Moreover, this doctrine affords no explanation of the marked inequalities that exist in the wage scales between different trades within the same country. The wages-fund doctrine contains an element of truth. There is a necessary causal relation between the quantity of capital and the wages of labor; a marked decrease in the supply of capital available for the employment of labor and other requisites of production would affect wages adversely by decreasing demand. Although the fund of capital might be restored eventually, through the efforts of labor, the immediate result of a marked decrease in the supply of capital would be a reduction in the wages of labor. The wages-fund, however, is neither fixed nor measurable.

The Residual Claimant Theory.—According to this theory the wages which the laborer receives are ultimately equated to what he produces after the deduction of rent, taxes, profits, and the interest of capital. Rent, interest, and profits are determined by definite laws, while wages

constitute a more or less indeterminate share of the social product. Thus the wage-earner is the residual or last claimant, and is forced to wait until all other shares in distribution, including taxes, have been apportioned. The share of this product which goes to labor is residual in the sense that wages measure the quantity of the product that remains after the claims of other factors in production have been satisfied according to the determination of positive laws.

The advocates of the residual claimant theory failed to recognize that, by effective combination or because of other forces that may influence the labor market, labor, like any commodity, may possess a scarcity or monopoly value. Being the residual claimant, the workers cannot increase or decrease their share in the product of industry. Since the other shares are determined by definite laws, the wage-earner has no alternative but to wait until these shares have been distributed and then take what is left. Since under our economic system the ownership and control of the product is vested in the business enterpriser, the wage-earner might receive as a residual claim either more or less than he anticipated. There is no justification for describing the laborer as the residual claimant. The sale of the product and the receipts from that sale are controlled by the enterpriser who must apportion shares to the other agents in production prior to the satisfaction of his own claim. The enterpriser's share is more truly residual; he must take what is left after paying all expenses of production. Moreover, labor frequently receives its share long before the product is disposed of and often before the other shares have been paid.

The Specific Productivity Theory.—Among the most generally expounded wage doctrines of the present, the so-called productivity theory is by far the most prominent. This is especially true in the United States, where the doctrine has claimed the largest number of adherents. According to this theory the price of labor, like the value of any commodity, is determined by final utility. The fundamental determinant of wages is the specific product

of labor. Both capital and labor contribute something to the product. A specific product is thus ascribed to capital, and a specific product to labor, and under conditions of perfect competition, each tends to receive a share equivalent to what it produces. As in the case of other factors, the final or marginal productivity of the workers will be the ultimate determinant of their wages. The essential element, therefore, is the marginal utility of the service which the worker renders to the enterpriser. Under the condition assumed—perfect competition—the value of the goods produced by the marginal laborer determines not only the maximum which the employer can afford to give him, but also the amount given to all other workers who can take his place, that is, who are employed in the same kind of work, although they may be more productive than he is. The least productive laborer determines the wages of the group. The owner of capital adds units of labor until he finds that the last unit applied adds to the product an amount which must be paid to the worker in order to induce him to accept the job offered by this particular owner of capital rather than that offered by another. This individual who is just worth employing is known as the marginal worker. Under competitive conditions labor, like capital, tends to get what it produces.

The productivity theory assumes a separate productivity of capital as well as of labor. Practically, it is impossible to measure a separate product assignable to any factor in production dissociated from the other factors in production. The theoretical and practical validity of this theory depends upon: (1) the existence of the conditions assumed in the theory, and (2) the possibility of measuring the specific product of each factor in production. Critics of the productivity theory are quite agreed that the separatist treatment of productivity is futile. Land, labor, capital, and the entrepreneur cannot be divorced from one another in the processes of production. Even if it were possible to ascribe a separate productivity to each of these factors or to the marginal unit of any

one of the factors working in conjunction with other units, the productivity could not be measured. Production is coöperative in the sense that it usually requires the power of more than one factor. To attribute a specific and distinct productivity to any one factor or unit, therefore, whether marginal or otherwise, is manifestly unwarranted. If it is impossible to measure the specific product of any factor or part of a factor in production, then it would appear equally futile to attempt to ascribe to any factor a share in the distribution of the product equivalent to what it produces. It cannot be said, therefore, that the laborer gets what he produces; his share in distribution will depend upon numerous conditions that affect the labor market and the price of labor.

The productivity theory fails also as an explanation of wages because its fundamental assumption—a state of perfect competition—is not true. Perfect competition presupposes absolute mobility of the factors under consideration. Absolute freedom of competition and substitution prevail only in a so-called "balanced economic system." The present industrial system is characterized by no such balance. Both as a productive and as a distributive agency combination is at least as real as competition, and the indications are that combination in some form is destined to dominate the fields of production and distribution. Precluding obstructions to the free operation of perfect competition, it might be true that each factor in production would be assigned what it specifically produced. The difficulty, however, lies not only in the physical impossibility of determining and measuring this specific product, but also in the fact that obstructions do obtain in the present industrial system to prevent absolute fluidity and mobility of competitive forces. Certainly perfect mobility and adaptability cannot be said to characterize the present economic structure.

The Normal Value or Exchange Theory.—The main contention of this theory is that normal wages contain a surplus above the mere cost of subsistence; that social

progress is dependent upon the existence of a surplus in normal wages in excess of the amount required to maintain the prevailing standard of living. To this surplus the name "gain of labor" is given. Normal wages in a progressive society must contain a surplus that compensates the laborer for abstinence or postponement of consumption. A conflict develops between the time needed to produce goods and the time required to consume goods. The worker balances the pleasure of consumption against the pain or disutility of production. To forego the pleasure incident to the consumption of goods which he already possesses, the worker must be offered some inducement, that is, a surplus gain.

Advocates of the exchange theory claim that it is possible to develop an abstinence theory of wages similar to the abstinence theory of interest. The marginal saver will not endure the disutility of abstinence unless he is assured a corresponding surplus in his future product. In other words, the disutility involved in saving must be compensated by surplus income. The same is true of labor. Special laborers may receive more or less than normal wages, but all labor that is free to move must receive at least a normal wage. In order to secure a surplus the hours of employment are prolonged beyond the point sufficient to guarantee the accepted standard. Normal value arises when marginal utility and marginal disutility are equal. Surplus value is a product of time. The workers exchange present services for future goods. Time required for the application of the worker's power may interfere with time required for consumption of present goods, thus causing abstinence. For this postponement of consumption labor receives a surplus gain.

The normal value theory is applicable only to a dynamic industrial order, since no surplus gain can emerge in a static society. Normal value can be definitely determined in a progressing society, and normal wages must include a gain equal to abstinence on the part of the laborer.[4] Market wages are incapable of exact determi-

[4] Charles W. Macfarlane, *Value and Distribution*, p. 303.

nation. Normal value theorists, then, seek to account for a surplus in wages above the necessary cost of subsistence, and to demonstrate that in a dynamic society both capital and labor must secure a surplus above the cost of maintenance. They admit that in such a society many do not secure any surplus or gain of labor, but this does not, in their opinion, invalidate the law. The necessary condition is mobility of labor, and the loss of mobility may mean loss of gain or surplus.

Like the old cost of subsistence theory, from which it is a derivation, the normal value or exchange theory emphasizes the element of labor supply to the exclusion of the element of labor demand as the ultimate determinant of wages. In common with the productivity theory it assumes a condition of free mobility of labor as the fundamental condition of the law of wages, but no such condition exists in the present industrial system. Moreover, it is as difficult to measure the abstinence of the marginal laborer as it is to determine his specific product. The practical value of such a theory, therefore, is negligible.

The Bargaining Theory.—According to the bargaining theory, employers and employees are opposed to each other as bargainers in a market where, on account of various causes, their forces are about equal.[5] Wages, accordingly, are to be regarded as determined in a manner identical with the determination of all values; namely, by (1) the estimate which each party to the bargain has formed concerning the value of the subject of the bargain, and (2) the comparative bargaining strength and knowledge of the bargainers. The advocates of this theory point out that the earlier wage theories erred in attempting to establish one determining principle of wages, according as they recognized the supremacy of the employer or the supremacy of the laborer, while the bargaining theory avoids this mistake by recognizing the phenomenon of organization of employers and employees in combinations of approximately equal strength, and contends that the

[5] John Davidson, *The Bargain Theory of Wages*, p. 4.

wages of labor will be determined between the two estimates made by employers and laborers.

What forces determine each of these two estimates? The estimate of the laborer is described as the resultant of two factors; namely, the utility of reward and the disutility of work. The estimate of the employer depends upon the gains or discounted value of the product created by the worker's efforts. Each party to the bargain seeks to gain the greatest return; the employer has a maximum, and the worker a minimum evaluation. The price of labor will be determined between these limits by the comparative bargaining strength of employers and employees. It is important to note that neither of these limits is absolutely fixed, although they are relatively so. The standard of comfort is the most important element in the laborer's estimate, but both the utility of reward and the disutility of work are subject to independent variations. Since there is less of the personal factor in the employer's estimate, it is likely to be more definite than the worker's estimate. Consequently, the maximum limit is practically fixed, and any attempt to raise wages above this limit must prove futile. Wages will approach the employer's maximum if the laborers possess exceptional bargaining power, but will descend to the workers' minimum if the latter's bargaining power is weak. By effective organization and combination the disputed margin will in all probability go to the workers, provided the employers have not effected similar organization and combination.

The bargaining theory of wages recognizes the inequality that characterizes the bargaining process in modern industry. Bargaining power depends on knowledge of the labor market. On account of his superior knowledge and the wider opportunities he possesses to obtain information relating to the market, the employer enjoys a differential advantage in bargaining. Advocates of the bargaining theory find grounds for optimism, however, in the influence of general education, dissemination of industrial news by the press, and the publicity work of labor organizations, federations, and industrial bureaus,

all of which tend to eliminate the superior advantage of the employer. Nevertheless, they admit that the superior advantage still rests with the employer. Another factor affecting the wage level is recognized; namely, the immobility of labor. As a rule, laborers do not enjoy absolute freedom of migration either from one job to another or from one industry to another, much less from one locality to another, so that advantage cannot always be taken of the higher wage level elsewhere, even when the workers are aware of such advantages. Every disability that characterizes the laborer has an adverse effect upon his bargaining strength and tends to force the wage down to the minimum limit. Consequently, the workers seek to minimize their disabilities by organization and collective bargaining. Disastrous competition is thus removed. The position of labor may be aided also by legal interference or by public opinion, although experience has taught the workers that reliance cannot be placed upon public opinion.

The bargaining theory of wages possesses an element of practicality which is absent from the earlier theories. That bargaining power is a potent force in the determination of wages, few will deny. The facts of trade union experience support this conclusion. The theory is inconsistent in declaring that between the specified maximum and minimum the wage is set by employers and employees whose bargaining strength is about equal, and then proceeding to explain the conditions that give the employer a differential advantage. Although certain forces are at work which tend to equalize the bargaining strength of employers and employees, it is still true that the bargaining status of these two industrial groups is conspicuously unequal. Moreover, while such a theory may account for wage determination in those trades and industries in which the workers and the employers are strongly organized, it does not explain the forces that determine wages in the unorganized industries, nor does it afford explanation of the differences that obtain in the wage scales of organized groups in different trades and industries and

in different countries. In brief, if all laborers and all employers were organized and enjoyed equal bargaining power, a bargaining theory of wages might be applicable to the present industrial system. As a matter of fact, only a comparatively small percentage of the world's gainfully employed persons are organized. The theory, therefore, is not sufficiently comprehensive to be generally applicable to the present industrial order.

The Socialist Explanation of Wages.—Karl Marx, the founder of modern scientific socialism, was convinced that the propertied class had always lived upon the labor of the nonpropertied classes. According to Marx, labor is not merely the measure of value and the essential cause of value, but, what is far more significant, labor is the very essence of value. Commodities have value in exchange because they represent the expenditure of a certain amount of human energy. Marx did not deny the existence of utility; he recognized utility as a necessary condition of value and as the only factor to be considered in subjective value, or value in use. The element of utility, however, does not suffice to account for objective value or value in exchange. Every act of exchange presupposes a common element; there must be some identical relation between all commodities exchanged. This necessary identity between exchanged commodities cannot be explained in terms of utility, since utility is a heterogeneous quality, differing with different commodities. A homogeneous element must be discovered before a satisfactory analysis of exchange value is possible. Marx discovered that the homogeneous element which enables one commodity to command another in exchange is the quantity of labor which such a commodity contains. Value, accordingly, is nothing more nor less than the quantity of crystallized human exertion which a commodity possesses, and commodities necessarily differ in value because of the different quantities of human labor which are "socially necessary to produce them."

It follows that the exchange value of the product of any particular worker's labor will be the equivalent of

the number of hours required to produce that commodity. Now, under the capitalistic organization of industry the employer possesses the right to sell the finished product or the raw product produced by labor, and usually he is able to dispose of that product at its real value or the equivalent of the number of hours spent in its production. Does the laborer receive the full value of his product? Not at all. Under modern capitalism the wages of labor are determined arbitrarily by the employer who enjoys a superior advantage in bargaining, so that the laborer must accept what the capitalist-employer is willing to pay him for his labor-power. The important fact here is that the value of the commodities required for the maintenance of labor is never equivalent to the value of the produce of labor in exchange. Ordinarily the laborer produces more than the value of the commodities which he consumes. Whereas it may take him twelve hours to produce a certain commodity, under modern capitalism he receives the equivalent of only six hours of labor. What the laborer gets in wages is, therefore, just barely sufficient to guarantee subsistence. Under modern capitalistic exploitation wages ever tend to this minimum of subsistence. What becomes of the surplus value created by the laborer during the extra six hours? The capitalist appropriates this for himself. The additional hours of exertion required for the creation of this surplus value Marx calls surplus labor.

The Marxian analysis of value shows clearly that it is to the advantage of the capitalist to increase the quantity of surplus value because this augments profits. This can be accomplished by: (1) prolonging the hours of employment as much as possible, or (2) decreasing the amount necessary for the workers' subsistence. Improvement in industrial organization and operation, or a decrease in the cost of living would reduce the number of hours necessary to produce the workers' sustenance. Labor might be speeded up; women, children, or cheaper male labor might be employed, thus reducing the expense of production. Another method would be the estab-

lishment of charitable institutions to feed the workers so that their income from industry would be supplemented by social aid. The capitalist-employer, who is the purchaser of labor-power, must pay the worker a wage equivalent to the value of the goods which the worker consumes while exerting his labor-power, plus an amount sufficient to enable him to perpetuate his kind and maintain the labor supply. It is not difficult to detect in the Marxian analysis of value and wages the influence of the earlier economic doctrines, such as the cost of subsistence theory of wages. It is due contemporary socialists to say that the theory of surplus value and surplus labor is not generally regarded as an essential part of current socialist philosophy. They still believe in the facts of surplus labor and surplus value, but the Marxian analysis is not regarded a sufficient explanation of the phenomena of value and wages. The Marxian concept of value is the basis of the Marxian theory of wages. Marx's theory of value is considered untenable because it emphasizes value in exchange almost to the exclusion of value in use. In other words, it recognizes as important only the supply element in value, and neglects demand as a factor in exchange value. Labor is not regarded by economists as the sole producer of wealth. Commodities may represent an enormous expenditure of human energy and yet, in the absence of an effective demand, command practically no price on the market. Not only labor, but land, capital, and the directive ability of the enterpriser are essential factors in the production of commodities. With the breakdown of the Marxian theory of value, the socialist explanation of wages likewise fails.

Miscellaneous Theories.—Besides the more generally known wage theories presented already, there are several other explanations that deserve consideration. Among the most interesting of these is one offered by Henry George who in his famous work "Progress and Poverty," published in 1879, contended that while rents go up interest goes down and wages fall to a minimum. Extreme

poverty and conspicuously extravagant luxury are manifest inconsistencies of the present economic order. Henry George does not share the belief of the socialists that the exploitation of labor by the capitalist causes this inconsistency; moreover, it cannot be attributed to overpopulation in the Malthusian sense. Rather is it the result of rent, made possible by land monopolization. "In every direction, the direct tendency of civilization is to increase the power of human labor to satisfy human desires—to extirpate poverty and to banish want and the fear of want. . . . But labor cannot reap the benefits which advancing civilization brings, because they are intercepted. Land being necessary to labor, and being reduced to private ownership, every increase in the productive power of labor but increases rent—the price that labor must pay for the opportunity to utilize its power; and thus all the advantages gained by the march of progress go to the owners of land, and wages do not increase."[6] The proportion of the product which labor and capital receive is necessarily less because of land monopolization. That this theory fails to recognize numerous factors influencing the wages of labor is seen from the preceding discussion of the major doctrines.

In his "Wealth and Progress," published in 1887, George Gunton advanced the theory that the price of commodities and services is determined always by the cost of producing the most expensive unit, and the price of labor constantly tends toward the cost of producing labor-power. "Now, what constitutes the cost of labor to its owner, the laborer? Obviously, the cost of his living."[7] The laborer will not long consent to dispose of his labor for less than it cost him, that is, for less than will afford him a living. His cost of living will be determined always by the number of his habitual or socially established wants. If it be true that the laborer will not sell his labor for less than it cost him, it is equally true that he cannot for any considerable time

[6] *Progress and Poverty*, Book V, Chap. II, p. 281.
[7] *Wealth and Progress*, p. 83.

sell it for more than that amount. "Want being thus the motive and measure of effort, and wages the price given for the effort, manifestly the laborer's wage can never be permanently much above his wants, as expressed in the standard of living."[8] The worker has no incentive to work beyond the requirements of his wants, and if wages are advanced to a point beyond these requirements, days of work will be reduced by the laborer. Consequently, real wages move always toward the level of wants or the socially accepted standard of living, which Gunton defines as that state of material comfort and social refinement which prevails in the class to which one belongs and below which one cannot go without incurring social disadvantage. The standard of living of a single family, and not of an individual, is always referred to.

How does the cost of living determine wages? "In exactly the sense that the cost of production determines the prices of commodities, which, it will be remembered, is by the cost of producing the most expensive portion of the necessary supply. There we say the chief determining influence in the general rate of wages in any country, class or industry, is the standard of living of the most expensive families furnishing a necessary part of the supply of labor in that country, class, or industry."[9] The cost of living is the resultant of two forces: the price of commodities which the worker consumes, and the quantity of commodities which enter into his habitual daily consumption.

Gunton's theory is essentially a cost of subsistence theory, and is open to the criticism which was made of its predecessors; namely, it is based entirely upon the supply price of labor. Aside from its failure to recognize a demand price of labor, there appears no foundation in fact for believing that the wages of labor tend to equal the cost of living of the most expensive families furnishing a necessary part of the labor supply in a given class, industry, or country. Indeed, there is more

[8] *Ibid.*, p. 85.
[9] *Ibid.*, p. 89.

reason for contending that under conditions of the modern wage bargain wages tend towards the minimum cost of subsistence for the least expensive families in a given labor supply, although this also does not coincide with the facts.

Professor F. W. Taussig contends that, generally speaking, wages are determined by the discounted marginal product of labor. The laborer must accept what can be paid him by the marginal landowner or competitive producer who employs land or capital in the least efficient manner. The idea of a discount always implies an advance. Production takes time; the materials and machinery needed in a time-consuming process are made by laborers. Here a difficulty develops. On account of the unequal distribution of wealth the vast majority of workers are unable to support themselves during the prolonged period of production, and are forced to depend upon those who have a surplus to advance them the necessary remuneration. Successive advances are made by capitalists to the workers, and the capitalist class secures its gains by advancing to the laborers less than they ultimately produce. That is, the product of labor is discounted by the capitalist-employers. Thus labor is a "future" good and is the means by which "present" goods are eventually procured. The essence of the generally accepted theory of interest is that present goods are preferred to future goods; that present means, or sources of satisfaction in hand, will not be exchanged at par value for sources of satisfaction that are to materialize in the future. A discount takes place and a premium is demanded for the use of present satisfactions. According to Professor Taussig, the theory of wages is strictly consistent with this theory of interest. The laborer cannot be paid as much as the product will sell for; otherwise the employer and owner of capital will have to forego compensation.

The more effective the competition among capitalist-employers the more the wages of labor tend to approximate the future product; conversely, the keener

the competition among laborers the less will be this approximation. Professor Taussig agrees that there is doubtless a lessening of the range of competition in modern times, thus resulting in a wider divergence between wages and the total discountable product of labor. Moreover, increasing concentration in the control of capital and the development of combination and monopoly suggest the possibility of the complete disappearance of competition. He adds, however, that in all probability the major part of modern industrial activities are conducted under leveling conditions of competition, and that there is an approximation of wages, by way of discount, to the product of the marginal laborer. "An all-embracing and considerable advance [in wages] can come, under the régime of private property, only if productivity is increased, if the margin is keyed up, if the discount is narrowed by the accumulation and competition of capital. Everything that raises the productive margin, that lessens the rate of discounting, tends to raise wages; and in the last resort it is only in these ways that a general advance can be brought about."[10] No one will deny that the productivity of labor is a factor in the determination of the general wage rate. There is a maximum beyond which wages cannot go; that maximum is determined by the utility of the product to the consumer. But to state that marginal productivity is the only determinant of increased wages, is to emphasize the element of demand for labor to the neglect of numerous conditions that influence supply. This is the common mistake of all productivity theories.

In his book, "The Industrial System," published in 1910, John A. Hobson advances the theory that the usual minimum price of labor-power is a sum of money sufficient to maintain the worker in the working efficiency required, and to rear a family which will keep up the supply of necessary labor-power. It is quite possible, however, for wages to fall for a time indefinitely below this cost of

[10] F. W. Taussig, *Principles of Economics,* 1917 ed., Vol. II, Chap. LI, p. 207.

subsistence or "ordinary maintenance" level. Excessive supply of labor may cause this. This minimum wage is not one of full maintenance and replacement; it may enable the worker to continue his labor for a time, but it is not sufficient to allow him to live his full life or to bring up a family. Supplementary earnings of other wage-earners in the ordinary family make up the true maintenance wage. In reality, the only economically necessary wage is the family wage, and when employment is available for husband, wife, and children there is no assurance that each will earn a maintenance wage. The price of any sort of labor-power, then, must be such as to enable the worker to provide such a proportion of the family maintenance as the conditions of local employment impose upon him, as a member of the family. "While, therefore, the 'minimum' in modern industry is not the physical subsistence minimum of the older doctrine, it none the less remains true that the conditions of the sale of labor-power are normally such as to keep the price down to the point of marginal costs of production, that is the conventional standard of comfort of the worst labor in each grade." [11]

As to the differences in wages among different grades of labor, Hobson states that the most powerful determinant is the degree of skill and knowledge required to secure regular employment in a trade or profession, or, more accurately, the difficulty of acquiring this knowledge and skill. Other factors that influence the wage level include possession and discovery of natural aptitudes, foresight, cost of preparation, personal connections, social opportunities, mobility of labor, trade organization, and excessive demand for labor. Labor may procure a "surplus gain" when an excessive demand for labor or a labor shortage or some other condition enables the workers to drive an effective bargain. Whatever tends to create a scarcity of laborers enhances this surplus; whatever tends to diminish the demand for laborers tends to eliminate this gain. In this theory again there is a large

[11] J. A. Hobson, *The Industrial System*, p. 90.

element of truth, but like all the others it offers a particularistic explanation, emphasizing one determinant almost to the exclusion of other important determinants. The cost of subsistence minimum, no matter how liberally it may be interpreted, explains but one side of the exchange equation, and while Hobson's theory recognizes other forces its major emphasis is upon that minimum, or the supply price of labor.

Economists have yet to formulate a theoretically sound and applicable concept of wage determination. In all the theories reviewed there are some common elements, noticeably the cost of subsistence and the utility of the product of labor. Recognition of these two important factors has led to the formulation of the utility-standard of living theory of wages. According to this theory, which seems to be the most acceptable, the wages of labor cannot exceed the productivity of labor, and cannot remain below the minimum requirements of the accepted standard of living for any particular group. The upper limit depends upon the utility that goods have for consumers. The degree of utility determines what consumers will pay for these goods, and influences the judgment of the employer as to what he can afford to pay for the labor-power required to produce such commodities. The lower limit is not a fixed minimum. It has been shown already that the standard of living is a variable, elastic thing.[12] The element of truth in all cost of subsistence theories is that there obtains a minimum of physical requirements which the wages of labor must furnish, if the efficiency of the laboring force and the necessary supply of labor are to be maintained. Both under an individualistic and under a collectivistic form of society this minimum must be guaranteed. The wages of labor may fall temporarily below the generally accepted minimum but cannot long remain there. Similarly, wages may go temporarily above the utility level, but cannot long remain there. Between the maximum level of the utility of the goods to the consumer and the generally accepted

[12] See Chap. IV.

standard of living, the wages of any group will depend upon numerous determinants, such as the comparative bargaining strength of the buyers and sellers of labor—employers and laborers. Bargaining power, in turn, is influenced by such conditions as the degree of mobility of capital and labor, the status of organization, knowledge of the labor market, the possession of surplus wealth which enables the bargainer to wait, the demand for labor and the supply of labor, and the adaptability of the worker to specific tasks. This theory assumes no equality or approximate equality of bargaining power, and recognizes frankly the multiplicity of forces that enter into wage determination, both in industries in which the workers are organized and bargain collectively, and in those where individual bargaining is still the rule.

The Peculiar Characteristics of the Labor Supply.—In almost all of the wage theories that have been considered, there is an expressed or a tacit recognition of the commodity aspects of labor. Labor is commonly spoken of as though it were a commodity like all other commodities, its exchange value being determined by forces similar to those that determine the selling price of goods on the general commodity market. The conception that labor is a commodity is not only erroneous, but is partly responsible for the failure to evaluate properly the human element in production and for the resultant conflict of industrial interests. There is no more urgent need in the philosophy of industrial relations than to disabuse the mind of the notion that labor is a marketable product exactly like all other products.

Under the wage system, as under slavery, serfdom, and indentured service, the tendency to depersonify the laboring class has been all too common. Labor has been regarded as an abstract quantity, a purchasable, impersonal commodity, an item in the cost of production, rather than as the great mass of human beings whose efforts are largely responsible for the creation of those economic goods and utilities that satisfy the world's needs. Viewed as a marketable product devoid of personality, it is nat-

ural to declare that the price of labor, like the price of any other commodity, is determined by the cost of production plus a variable surplus that may arise because of extreme scarcity of supply. Thus labor must have its *normal price* which covers the cost of maintaining the necessary supply, and may have, if market conditions are favorable, a *market price* which affords a quasi-rent or differential gain.

Persons who regard labor as a commodity similar to all other commodities fail to recognize the numerous peculiarities that characterize the labor supply. This much may be granted: Labor is like all other commodities in that the services of labor are bought and sold and command a price on the market. To say that labor *resembles* a commodity is not identical with stating that it *is* a commodity. The peculiar characteristics of the labor supply that differentiate it from the supply of marketable commodities may be summarized as follows:

1. The labor that is bought and sold is inseparable from the personality of the laborer. In buying raw material to be used in manufacturing, the capitalist-employer procures complete ownership and control; it becomes his private property which he can dispose of as he chooses; but when he purchases labor he does not secure title to the laborer, as the master did under slavery. He bargains for the services of the laborer but these cannot be divorced from the worker. And when the worker sells his labor-power he does not relinquish ownership of himself.

2. Unlike the sale of commodities, the seller of labor must accompany the commodity in delivery. The future use or abuse of a commodity is of no concern to the seller, once the bargain is closed; the future destination of labor is of serious concern to the worker, since he himself is the labor-power sold. Satisfactory conditions of employment mean much to the worker, so he is vitally interested in the circumstances under which his labor-power is to be applied.

3. Commodities and the various forms of capital goods

are characterized by a relatively advantageous degree of mobility; they flow easily from place to place and from person to person. The mobility of labor is synonymous with the mobility of the laborer, and is limited by many conditions, such as unwillingness to break away from home and family ties, inertia, financial incapacity to defray the cost of transportation and moving, ignorance of occupational opportunities, and lack of adaptability to industrial vacancies.

4. Labor has a high degree of perishability and, consequently, must often be sold under special disadvantages. Commodities are frequently perishable, but the consequences of forced sale are not likely to be so deleterious as in the case of labor. The sellers of labor are usually poor, possessing no reserve fund which would enable them to withhold their labor-power from the market. Unemployment means permanent loss of work, since idle days cannot be recovered. Except under extraordinary conditions the seller of commodities can withhold his product from the market in the hope of a more favorable exchange. Labor cannot wait. The great mass of unskilled workers possess no surplus that permits holding out for a more favorable market. Excessive competition among them forces wages down to the minimum and allows very little chance for the accumulation of a surplus. Loss of work often means malnutrition and loss of efficiency, which in turn disqualify them for the better opportunities in industry and depress their wage level. In the case of commodities, cold storage facilities are making it more and more unnecessary to sell otherwise perishable goods at forced sale. The quantity and quality of labor cannot be thus conserved.

5. Replacement of labor is necessarily a slow process. As capital goods depreciate and wear out it is a comparatively easy matter to replace them; production of such goods is rapid. Replacement of labor is a far more difficult and a much slower process. The prolongation of infancy in the human species is a stern fact that renders spontaneous restoration of the labor supply impossible.

6. Unlike a commodity, labor is not a passive thing. The essential fact about labor is that it is human. Labor-power is inseparable from the personality of the laborer, and that personality is a complex of instincts, impulses, passions, and motives. Labor resists an unfavorable market whenever it is possible. A forced sale is resented and arouses antagonistic impulses that have far-reaching industrial and social consequences. In the labor supply, then, numerous determinants are operative that have little or no counterpart in the supply of commodities, and to subject the sale of labor to ruthless competitive conditions, although it may be economically plausible, cannot be viewed as economically sound and socially beneficial.

The Wage Bargain.—Under the competitive conditions which still characterize the bargaining process in most of the world's industries, the employer enjoys a differential advantage. The more advantageous position of the employing group arises from certain conditions, some of which have been suggested already in considering the commodity theory of labor. They include: (1) the superior knowledge and bargaining skill of the employer; (2) the inability of the laborer to wait for a more favorable market; (3) the intimate relation of a job to the very existence of the worker, which means that the laborer has more at stake than has the employer who stands merely to lose profits; and (4) the tendency of the bargaining power of any group of laborers to be determined by the bargaining power of its weakest members.

Other factors influencing the wage bargain are those which develop from the relative abundance or scarcity of the labor supply. Under machine processes of modern industry there is a tendency to increase, relatively and absolutely, the number of semiskilled and unskilled workers. Machine industry, with specialization of tasks, is rendering unnecessary prolonged periods of apprenticeship, and is breaking down the monopoly once possessed by skilled workers. There is always an actual or a potential labor reserve which tends to intensify competition among the workers, particularly the unskilled. This

actual or potential oversupply of labor weakens greatly the bargaining strength of the workers and depresses the wage scale. In order to eliminate inequality of bargaining under competitive conditions, labor organizations emerge to stop competition between the workers and substitute collective for individual bargaining. Since collective bargaining is still the exception and individual bargaining the rule, the majority of workers continue to make the wage bargain under the unequal and disastrous conditions of competition.

Conclusions.—Theories concerning the determination of labor's share in the net product of industry have been formulated and expressed in numerous wage doctrines. In these doctrines the cost of living and the utility and productivity of labor stand out as the minimum and maximum limits, respectively, between which wages may fluctuate as the result of the operation of numerous forces. These limits are variables. As yet no satisfactory and generally acceptable theory of wages has been formulated, but there is a definite relation between wages and the limits set by the minimum requirements for subsistence and the productivity of labor. Somewhere between these two limits the wage is fixed by the relative bargaining strength of the employer and the employee. Under competitive conditions this bargaining strength is unequal, the employer enjoying a differential advantage; but collective bargaining promises ultimately to introduce greater equality. Much of the misapprehension as to the nature of a reasonable wage will disappear when the humanity concept replaces the commodity concept of labor.

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CHAPTER VII

HOURS OF LABOR

The Nature of the Problem.—Robert Owen, the famous English employer-reformer, once wrote: "We manufacturers are always perfecting our dead machinery, but of our living machinery we are taking no care." He referred chiefly to the long working-day and its effects upon the workers. For over a century excessive hours of employment have been recognized as a serious problem. Under modern industrialism with its machine processes, large-scale production, and world markets, the problem of hours of labor, like many other problems in industry, has assumed a serious character. Early reformers saw the problem in its social and moral implications rather than in its economic aspects. There was little or no recognition of the possible relation that might obtain between the length of the working-day and output. Not until the latter part of the nineteenth century did the economic phases of the problem begin to receive thoughtful consideration.

On its social side the problem of hours of labor involves such elements as the enjoyment of adequate sleep and rest, health, recreation, social life, educational opportunities, and domestic life, or, in other words, the opportunity to discharge the ordinary duties of citizenship and the development of those normal tendencies that characterize the average individual in an enlightened and progressive society. On its economic side the problem involves the relation of hours of employment to efficiency and output. The problem does not involve merely the length of the working-day, but also overtime, continuous operations, rest periods, and night work.

Development of the Problem in England.—Excessive hours of employment for children, adolescents, and women first commanded the attention of reformers in England in the early part of the nineteenth century, but excessive hours of labor for men workers were hardly noticed. The textile industries first received consideration in the matter of hours, and the inclusion of other industries was not achieved until restriction of hours had practically gained its present status. Conditions with regard to hours of labor for young persons were so undesirable that in 1802 the Health and Morals of Apprentices Act, which dealt solely with apprentices, was passed. The work-day of apprentices was limited to 12 hours under this act, and their employment was prohibited between the hours of 9 p. m. and 6 a. m. This initial act was a failure because it was not enforceable and did not include the large number of children who, not being apprentices, were generally exploited. Under the leadership of Robert Owen, reformers secured the passage of a new act in 1819, which limited the work-day for young persons between the ages of ten and sixteen to 12 hours. Owen, who was a cotton manufacturer, stated in his testimony that the reduction of hours in his own factory had not appreciably affected the output. Between 1819 and 1830 there were few changes of importance in the hours of employment. A new movement sprang up, however, which had as its objective the 10-hour day for juvenile workers. Opposition to the 10-hour day was based upon the contention that such restriction of hours would impede the industrial prosperity of the nation. "The longer the hours, the greater the profit," was the motto that persisted in England down to 1844, and even yet constitutes the stock phrase of the selfish employer.

An investigation made in 1833 showed clearly that children engaged in the principal manufacturing industries were working the same number of hours as men and that, moreover, these excessive hours frequently resulted in physical deterioration and irremediable diseases. Children were helpless to improve their conditions. The

commissioners who made the investigation were convinced that excessive hours were uneconomical and that additional legislation was necessary. In response to the recommendations of this committee the Factory Act of 1833 was passed, in accordance with which, for the first time, a distinction was made between children and young people. Under the provisions of this act children between the ages of nine and thirteen were to be employed for not more than 9 hours a day and 48 hours a week, while young persons between the ages of thirteen and eighteen could be employed for 12 hours a day. Employment of persons under eighteen years of age at night—between 8:30 p. m. and 5:30 a. m.—was prohibited. A medical certificate was required, showing that each child of nine years who was employed possessed "the ordinary strength and appearance." Factory inspectors were appointed to enforce the law, a measure designed to do away with the incompetent system of enforcement that had prevailed under the local justices.

The Factory Act of 1844 was a further attempt to solve the problem of hours of labor. This act, supported by employers and employees, provided for efficient enforcement of the restrictions already imposed, prevention of encroachment upon meal periods, and the limitation of hours of labor for women to the number already determined for young persons. No action was taken in behalf of men. With regard to women workers it was pointed out that "the case . . . is very different . . .; for not only are they less free agents, but they are physically incapable of bearing a continuance of work for the same length of time as men, and deterioration of their health is attended with far more serious consequences to society."[1]

In 1847 and 1850 laws were passed which practically ended the struggle for the 10-hour day. These acts provided that the hours of labor for women and young per-

[1] Quoted in the Final Report of the British Health of Munition Workers' Committee, U. S. Bureau of Labor Statistics, Bulletin No. 249, p. 21.

sons should not exceed 10½ a day with 1½ hours for meals, and 60 hours a week. The legal working-day was set between 6 a. m. and 6 p. m. In 1843 appeared the second report of the commission that had been appointed in 1840 to investigate industrial conditions in industries other than textile ones. The evidence was conclusive to the effect that in metal ware and other industries children were generally employed for a work-day as long as that of adults, sometimes for a period of from 16 to 18 hours without intermission. Night work made the problem more serious. Legislation was recommended and secured for coal mines and for textile industries not already included, but nothing was done in the case of metal ware and other nontextile trades.

In 1862 a second commission was appointed to investigate conditions of employment for children. Much of the opposition to the shorter work-day had passed away. Power machinery was being introduced rapidly, and this revolutionized the demand for labor. Overtime was accepted as applying to hours of labor in excess of the ordinary day's work, and in industries having continuous processes regular day and night shifts were introduced. The commission recommended that the metal trades be included in the provisions of the factory act. A law to this effect was passed in 1867, which also prohibited Sunday work, and night work except to a limited extent for male workers in mills and blast furnaces. Overtime was forbidden in the metal industries. In 1876 there was published the report of the commission appointed to investigate the operation of the factory and workshop acts with a view to their consolidation and amendment. No change in limitations was recommended. The Factory and Workshop Act of 1901 provided chiefly for the consolidation of existing laws on hours. In 1911 a departmental committee was appointed to investigate the night employment of male young persons in workshops and factories. The report of this committee recommended the prohibition of all night work in blast furnaces for boys under eighteen years of age, and in iron mills for boys under

sixteen years of age. It also recommended a periodical medical examination of boys under eighteen years of age who were employed at night.

Investigations of the problem of hours of labor in the United Kingdom show that it is necessary to limit the hours of employment in order to prevent overstrain of the employees, conserve the national health, and promote general social and industrial welfare and progress. For over a century the state has accumulated evidence to the effect that conditions of employment, particularly the length of the working-day, are largely responsible for physical deterioration of the workers. "Apart from exceptional occupations which are in themselves injurious, the principal of the undesirable conditions, the most radical and persistent, the commonest, is that of long hours. It is a significant fact that all through the history of the industrial system of this country the dominant evil is not accidents or poisoning or specific disease, but the stress and fatigue due to long and unsuitable hours of labor, entailing inadequate opportunities for rest, recreation and nourishment. In a word, it is not work but the continuity of the work which kills."[2]

Development of the Problem in the United States.—In the United States, as in England, the problem of hours of labor first attracted attention in connection with the employment of children. In 1842 a petition was received by the state legislature of Massachusetts from a body of citizens of Fall River, which stated that the prevailing hours of labor were permanently injurious to the health of the child workers and retarded their education. Prohibitory legislation was asked, and as a result there was enacted in the same year a 10-hour law for children under twelve years of age, in manufacturing establishments. The work-day for children under fourteen years of age in cotton and woolen mills was likewise shortened to 10 hours in the state of Connecticut. Several other states took up the problem and passed legislation, but many of the early laws were not enforced successfully.

[2] *Ibid.*, pp. 23, 24.

Adult workers supported the shorter work-day for children, with the hope that such a movement would have a favorable effect on their own hours. Protection of the health of the child worker, however, became the dominant motive behind the agitation for a reduction in the hours of work for children. The 8-hour day for child workers did not become common in important industrial states until the early years of the present century. Opposition to the movement on the part of employers has been based upon the contention that competition with backward states not having such laws would be disastrous.

Excessive hours of employment for women workers received attention in this country as early as the thirties, when the problem became so acute that strong protests were made. The 12-hour day so prevalent in large textile factories was condemned as undesirable and injurious. In some cases the work-day was even longer. Reformers were concerned chiefly with the effect of such excessive hours of labor upon the health of the womanhood of the nation. In the tide of humanitarianism that swept the decade of the forties, the 10-hour work-day for women was demanded. Organized workers adopted the 10-hour day program. At first women workers engaged in unsuccessful strikes to secure the shorter day, but in 1847 the 10-hour day was introduced in New Hampshire as a result of the persistent efforts of organized women employees. This was the first time in our history that the work-day for women was reduced to 10-hours. The early laws proved wofully deficient, and the problem continued to be a serious one. Not until 1879 did the United States have an enforceable law limiting the hours of labor for women. The first decade of the present century witnessed the spread of a successful movement for the 8-hour day for women workers.

Legislative measures in behalf of adult male workers have been so limited that the United States is still among those countries in which the ideal of "eight hours for work, eight hours for rest, and eight hours for what you

will'' has not been achieved for all workers. The 1909 Census of Manufactures showed that of the more than 6,500,000 employees in all industries covered by the report, 76 per cent were employed in establishments operating between 54 and 60 hours a week. Considerable progress was made during the next few years, but, according to the census figures for 1914, fully 25 per cent of the more than 7,000,000 workers in manufacturing industries were working from 60 to 72 hours weekly. Following 1914, the unprecedented demand for labor put organized workers in an advantageous position and the basic 8-hour day was won by large numbers of employees in organized trades. An investigation of hours of employment of 912,900 union members in the leading organized trades and occupations of 61 principal cities of the United States in 1919 showed that working hours had decreased steadily, being 8 per cent less than in 1907. There were still many occupations in which even unionized workers were working excessive hours. Waiters worked a 10- or 12-hour day and a 60- or 72-hour week, the 60-hour week being general. Chauffeurs, teamsters, and drivers worked from 10 to 12 hours a day, the working week ranging from 55 to 77 hours.[3]

Census returns for 1919 indicate that considerable progress is being made towards a shorter work-day in manufacturing industries. Of the 9,096,372 wage-earners reported, 4,418,693, or 48.6 per cent, were employed in establishments where the prevailing hours of labor per week were 48 or under, while in the previous census (1914), the number employed in this class of establishments was only 833,330, representing 11.8 per cent of the total number of wage-earners. Whereas in 1914, 74.6 per cent of the total number of wage-earners in manufacturing industries were employed in establishments where the prevailing hours of labor per week were not less than 54, and 26.9 per cent in establishments operating not less than 60 hours per week, the figures for 1919 show that only 34.9 per cent were employed in the former

[3] See U. S. Bureau of Labor Statistics, Bulletin No. 274, 1919.

class of establishments and 12.1 per cent in the latter. Following 1919, when the business depression set in and labor became abundant, many industries abandoned the basic 8-hour day and reintroduced the 10-hour day, and the 10-hour or 12-hour day still obtains except in the highly organized trades such as carpentering and printing.

The Advantages and Disadvantages of the Shorter Work-Day.—Those who advocate the shorter working-day in industry base their case upon several definite contentions. It is stated that the shorter work-day will provide work for the unemployed; increase the general wages of labor; augment the consumption power of the population, and so result in a greater market for commodities; increase the total profits of industry by enhancing the efficiency of labor; improve the domestic life of the nation by giving each worker a chance to enjoy the comforts of home and family; offer opportunities for the enjoyment of social, cultural, and religious life; and make it possible for the workers to discharge properly the ordinary duties of citizenship.

Generally speaking, employers of labor are far from being convinced of the social and economic advantages of the shorter work-day. Many employers who have reduced hours of labor in their establishments have recognized these advantages, but comparatively few have made the experiment voluntarily. Employers who oppose reduction in the hours of employment do so on the grounds that such action would involve a proportionate decrease in the productive capacity of the workmen; an increase in labor costs and general production costs; higher prices of commodities to consumers on account of enhanced expenses of production; destruction of the nation's power to compete in world markets because of the longer work-day with its consequent lower labor costs in foreign countries; a decrease in the wages of labor on account of the diminished productivity incident to the shorter day; an increase in intemperance, idling, and moral lassitude; failure to provide employment for the unemployed; and, finally, no guaranty that the workers

would make proper use of opportunities for greater social and cultural development.

Thus it seems that every argument advanced by those who advocate a shorter work-day is met by a counter-argument from those who are convinced that such a movement would entail grave social, moral, and economic consequences. What does the industrial experience of progressive nations teach concerning the social and economic advantages of the shorter work-day? Evidence must be sought in an analysis of experiences with the longer and the shorter working-day.

The Twelve-Hour Day and the Continuous Shift System.—Many industries in the United States employ their workers 12 hours a day and 7 days a week. Thousands of employees in paper mills, cement mills, smelters, blast furnaces, steel works, power plants, and other enterprises are working 12 full hours every day in the week. From their very nature, some industries require continuous operation, 24 hours a day and 7 days a week, as in the case of the blast furnace. It is manifestly impossible for the workers to perform continuous service. In making the change from the day shift to the night shift it has been a common policy to require a man to work 24 consecutive hours. Such a system has serious effects upon the health, the efficiency, and the whole life of the worker, but the practice has persisted in many countries, including the United States. More than 40 per cent of the employees in the iron and steel industry in 1910 worked 72 hours or over per week, and about 20 per cent worked 84 hours or over per week, according to the United States Bureau of Labor Statistics. This meant a 12-hour day and a 7-day week for one-fifth of the 173,000 employees whose hours were investigated. Moreover, steel manufacturing is a continuous industry, and thousands of men work consecutively either 18 or 24 hours once in every two weeks, in order to make the shift from day to night work.

In 1909 nine-tenths of the workers in blast furnaces in the United States worked either 18 or 24 hours once

or twice each month. At that time 50 per cent of the steel workers in America were said to have a 12-hour day. The United States Steel Corporation has announced several times in recent years that it was considering the shorter work-day, but for some reason the long day has been retained. The 12-hour day and the 7-day week have prevailed in other industries. A third of those actually engaged in manufacturing processes in 1910 worked not only 12 hours a day but 7 days a week; and thousands of others worked 10 hours a day and 7 days a week. Fifty thousand or more workers throughout the United States worked from 18 to 24 hours once or twice a month during the change of turns. The percentage of employees working 72 hours or over per week ranged from 40 per cent in cement manufacturing to 95 per cent in sugar and molasses manufacturing.[3a] The physical, social, and industrial effects of the continuous system, whether it is operated on the basis of a 12-hour day and a 72-hour week or an 8-hour day and a 7-day week, are so obviously detrimental that the movement for a shorter work-day in continuous-operation industries has met with general public favor.

The Comparative Productivity of Night Work and Day Work.—Civilized peoples have recognized the fact that, except in cases of necessity or in periods of great emergency, night work is undesirable. Under modern industrialism, however, night work has aided greatly the production of commodities, and this has strengthened the conviction of employers that such work is economically desirable. It is necessary to find out whether night work has deleterious effects upon the health of the laborers and conduces to an ultimate diminution in the supply of efficient labor. If it can be proved that night employment affects adversely in the long run both the quality and the quantity of labor, its discontinuance will be justified. Industry should function for men and not men for industry. If modern industry is to be made subservient to human interests, then even a relatively high degree of efficiency in night operations must be forfeited

[3a] In 1922 not less than 300,000 American workmen are employed on 12-hour shifts in continuous industries.

if it is purchased with rapid exhaustion of the health and energy of the workers, to say nothing of the tremendous social cost that may be involved.

Industrial experience has shown that the possession of extraordinary physical strength and self-control facilitates the reversal of the ordinary routine of day work and night rest with little or no unfavorable effect on health and efficiency. Unusual vitality and self-control, however, are not a common possession. It has been found that the most serious obstacle to a reversal of the routine is the lack of self-discipline. Many night workers try to enter into the numerous activities of day life that preclude sleep, and also do their work at night. Evidence gathered by the British Health of Munition Workers' Committee places permanent night workers, whether judged on the basis of output or loss of time, in a very unfavorable position, as compared with day workers.

Systems of night work differ. There is the continuous system, in which employees labor by night and do not attend the establishment at all by day, and the discontinuous system, in which the workers change to the night-turn at regular intervals, usually every other week. In addition to these systems there are several variations of a minor character. The conclusions of the British committee with regard to the effects of night work were that: (1) Continuous night work is productive of definitely less output than the discontinuous system, and the output of the continuous day shift does not make up for this loss in production. Moreover, there is a marked difference between the rates of output of night and day shifts on the discontinuous plan. (2) The case against night work is sufficiently established, the investigation in each case showing the inferiority of night labor. (3) The system of continuous night shifts, especially for women, is undesirable and should be prohibited. (4) The inferiority of the continuous night worker results from the failure to secure proper rest and sleep during the day. Women on continuous night work are likely to perform domestic duties, and this added strain may account for the inferior

results of their industrial activities. The tendency to devote to amusement and other activities the time which should be spent in rest and sleep is certainly as common among men as among women workers, and accounts largely for loss of efficiency and loss of time on the part of both sexes in night shifts.

Opposition to night work, then, rests on numerous considerations, among which are: (1) the remotely injurious effects of permanent night work manifested in later years of the worker's life; (2) the disarrangement of the social activities of the worker's leisure hours; (3) the disturbance of the ordinary associations of normal family life; (4) the unfavorable effect of night work upon general efficiency and output; and (5) the moral effect of night labor, particularly in the case of women workers who must go to and from work in darkness. Recent experiences of industrial nations have added much to the evidence against the continuation of night work, except in extraordinary circumstances and unavoidable emergencies. Whether judged from an educational, social, or economic standpoint, night work is undesirable, and while its immediate prohibition for all workers seems hardly practicable, the effort to abolish it for female workers should be continued, and its ultimate disappearance for all workers planned. Not sentiment, but the stern facts of social, physical, and industrial experience have given rise to the expression so frequently heard among the workers, that the night was made for rest and sleep and not for work.

Overtime and Its Abuses.—In opposing the movement for a shorter work-day employers have often stated that what the laborers want is not an actual 8-hour day but a basic day of 8 hours with extra rates of pay for additional hours. Overtime, which is usually paid for at rates higher than for normal hours, is doubtless desired by many workers. On the other hand, workers can get overtime only at the request of the employer, and if adequate wages are paid for the regular day's work it is hardly likely that workingmen will covet overtime,

since the average worker is glad to leave the plant at the end of the regular day.

Some overtime, like some night work, will always be necessary, so long as breakdowns and other irregularities occur in industry. It is not the use but the abuse of these extra hours of work that entails unfavorable consequences. Overtime ordinarily refers to the hours of labor in excess of the normal working-day. In very recent years considerable attention has been given to the physical, social, and economic effects of excessive overtime, and serious objections have been raised against it.[4] (1) Overtime is likely to impose too severe a strain on the workers. While it is granted that for an emergency overtime is necessary and effective, the conviction is growing that after a period the rate of production tends to decrease and the extra hours result in little or no additional output. (2) Overtime frequently results in a large amount of lost time. Workers become exhausted and take a rest, they accumulate extra funds and are tempted to lay off, and many of them, chiefly the older ones and those of weak constitution, suffer physical breakdown. (3) Overtime imposes a very serious strain upon the management, the executive staff, and the foremen, because of the actual length of the work-day and the additional responsibility and anxiety relative to the maintenance of efficiency and output in the plant. Moreover these employees cannot lay off like the ordinary laborers. (4) Overtime is likely to curtail unduly the period of rest and sleep for those who have to travel long distances to and from their work. This has especially harmful consequences for young persons. (5) Overtime produces fatigue, and the workers, being too tired to eat, seek artificial stimulants which in turn affect their efficiency and welfare.[5]

Overtime is common in most industries. Seasonal in-

[4] See Josephine Goldmark's *Fatigue and Efficiency;* also the reports of the British Health of Munition Workers' Committee, U. S. Bureau of Labor Statistics, Bulletin No. 249.

[5] *Hours, Fatigue, and Health in British Munition Factories,* U. S. Bureau of Labor Statistics, Bulletin No. 221, 1917, p. 21.

dustries with their periodical rush seasons lengthen the day's work, strain the health and endurance of the workers to the utmost, and inflict permanent physical injuries that cannot be estimated, and for which there obtains no compensation during slack or dull periods. "Regular seasonal overtime . . . leaves the worker with too great a physiological deficit. There is no rebound, or an infinitely slow one when our elastic capacities have been too tensely stretched. It takes much more time, rest, repair than the working girl can possibly afford to make good such metabolic losses. Compensation—off-time—comes too late."[6] American and European experiences have proved that overtime work is essentially inefficient, results in loss of time and output, and is as unfavorable in its effects on business as it is physically deleterious to the workers.

Sunday Labor.—The industrial experiences of advanced nations show conclusively that intervals of rest are needed to overcome mental and physical fatigue and exhaustion, but the lessons of experience are frequently disregarded in the operation of industry. Enlightened employers have recognized both the social and the economic value of a periodic day of rest. The great majority of employers consulted in a recent investigation were unfavorably disposed to Sunday labor.[7] Their opposition was based upon the following considerations: (1) *Administrative difficulties.* Supervision of Sunday work is difficult and imposes a severe strain upon the foremen; inexperienced, substitute supervision would entail much waste. (2) *Economic inefficiency.* Sunday labor means high wages and increased cost of operation, is usually characterized by low output, and is followed by a loss of time during other days of the week. (3) *Social and religious factors.* Considerable feeling obtains among workers of every class that the seventh day should be set aside as a day of rest and that it is good for body and mind. The evidence which has been collected concerning Sunday labor shows that if the maxi-

[6] Goldmark, *op. cit.*, p. 88.
[7] U. S. Bureau of Labor Statistics, Bulletin No. 221, 1917, p. 15.

mum of output is to be secured and maintained for any length of time, a weekly rest period must be allowed. Both on economic and on social grounds, Sunday work should be limited to sudden, unavoidable emergencies, and the making of necessary repairs that cannot be accomplished when the industry is in full operation.

Hours of Labor in Relation to Output.—The discussion has already suggested that a very definite relation exists between output and the length of the working-day. The conviction is growing among employers that excessive hours of labor result ultimately in diminished production, an inferior quality of work, and much greater cost of operation, to say nothing of the unfavorable effects upon the constitution of the workers and the encroachment upon social and domestic life. Many employers are also convinced that a substantial reduction in hours of labor can be effected without any reduction, or at most a slight reduction, in output. The opinion which at one time prevailed, that long hours necessarily result in larger output, is being replaced gradually by the conviction, based upon experience, that a 12-hour or 14-hour day, except for brief periods, is neither economically profitable nor socially sound.

Many investigations have been made which furnish evidence of the bad economic effects of excessive hours of employment. A few years ago the British Health of Munition Workers' Committee discovered after a thorough investigation that, generally speaking, a reduction varying from 7 to 20 hours in the weekly hours of actual work in no case resulted in more than an insignificant diminution of total output, while on the average it resulted in a substantial increase in production. In a study of boy workers it was found that a week of 47.4 actual working hours had an output 24 per cent greater than a week of 72.5 actual working hours, and an investigation of adult male workers showed that a working week averaging 51.8 hours resulted in an output 14 per cent greater than a week averaging 60.3 hours.

There have been numerous demonstrations of the

greater efficacy of the shorter work-day, only a few of which can be cited here. As early as 1858 the introduction of the 8-hour day in the lead mines of South Yorkshire, England, resulted in increased production. In 1892 a joint agreement between employer and employees in the engineering works of Mather and Platt, at Salford, England, provided for an experiment with the 8-hour day and the 48-hour-week for a period of one year. The results showed a considerable decrease in lost time and a marked saving in the cost of operation. The management was convinced that it was now "working in harmony with natural law, instead of against it," and that the "most economical production is obtained by employing men only so long as they are at their best—when this stage is passed there is no true economy in continued work." In 1906 the 8-hour shift was adopted in the tin-plate mills of South Wales, and the managers found that there followed an increase of output in the rolling mills of at least 20 per cent, and in the open hearth milling processes of 12½ per cent. Between 1892 and 1904, an experiment with reduced hours of work in a Belgian chemical-products plant showed that "In the 8-hour day, representing 7½ hours of actual work, the same workman at the same ovens, with the same implements and raw material, produced as much as previously in 12 hours, representing 10 hours of actual work."[8] Moreover, the worker's earnings for 8 hours were the same as for 12 hours under the old system.[9]

Similarly conclusive evidence has been gleaned in the United States under the direction of the federal Public Health Service. In an exhaustive comparative study of an 8-hour plant and a 10-hour plant it was found that the 8-hour system is more efficient. The outstanding feature of the 8-hour system was steady maintenance of output, while the prominent feature of the 10-hour system was the decline of output. Under

[8] Goldmark, *op. cit.*, p. 146.
[9] Stephan Bauer, "The Road to the Eight-Hour Day," *Monthly Labor Review*, August, 1919, p. 49.

the 10-hour system lost time, artificial restriction of output, fatigue, and industrial accidents were prevalent, while under the 8-hour system these deficiencies were reduced to a minimum. Moreover, under the 10-hour system a 12-hour night shift was maintained, which was characterized by a progressive slowing in the rate of production during the night and by an abrupt fall in output in the last two hours. In every respect the 8-hour day proved more advantageous.[10] Numerous concerns have voluntarily introduced the shorter work-day and have found that production has been maintained or increased.[10a] The results of all impartial investigations give unqualified support to the movement for the 8-hour work-day. In most instances increased output has been ascribed solely to the greater energy and promptness of the workers.

The Testimony of Industrial Commissions.—The United States Industrial Commission appointed by Congress in 1898 spent four years in hearing testimony and gathering information on industrial conditions. In its conclusion concerning hours of employment the commission stated that the entire tendency of industry is in the direction of an increased exertion, and, this being true, there is but one alternative if the working population is to be protected in its health and trade longevity; namely, a reduction of the hours of labor.[11] Fourteen years later, under the authority of the Act of Congress of August 23, 1912, the United States Commission on Industrial Relations began an investigation that lasted for several years, its final report appearing in 1916. This commission, in its conclusions on hours of employment, stated the case for the shorter work-day as follows:

1. The physical well-being, mental development, and recreational needs of every class of population demand that under normal circumstances the working-day should not exceed eight hours.

[10] United States Public Health Service, Bulletin No. 106, *Comparison of An Eight-Hour Plant with a Ten-Hour Plant,* 1920, p. 26.

[10a] According to the American Engineering Council the change from the 12-hour day to the 8-hour day has generally increased the quantity production per man up to as high as 25 per cent.

[11] See Final Report of the U. S. Industrial Commission, 1902, Vol. XIX, p. 774.

2. A very large percentage of the workmen in manufactures, transportation, and mining work more than eight hours a day. This is in marked contrast to the condition of those whose economic position enables them to define the length of their own working-day.

3. Practical experience has shown that the reduction of working hours is in the interest not only of the worker and of the community, but of the employer as well.

4. The regulation by legal enactment of working hours of adult workmen is not generally practicable nor desirable, except for public employees.

5. In the so-called continuous occupations, other than the movement of trains, requiring work during both day and night for six or seven days per week, the state and federal governments should directly intervene, so that the working hours should not exceed eight per day nor extend to more than six days per week.[12]

The reduction in hours of employment has not lessened the ability of progressive nations to compete in the world's commodity markets, since cost of production and efficiency have been such as to permit nations with the shorter day to surpass nations where excessive hours prevail. Moreover, instead of the shorter day resulting in increased drunkenness, it has stimulated temperance, interest in social and economic problems, and a better type of citizenship.

The Movement for the Eight-Hour Day.—The modern industrial system had not long been generally established before the working class and reformers began to revolt against the deleterious effects of excessive hours of employment. Gradually the 8-hour day has become the ideal of the masses, except the mine workers in the United States and in other countries who are demanding a 6-hour day and a 5-day week.

The 6-hour day prevailed in the German mining industry down to the end of the fifteenth century, and in 1467 the miners of Freiberg went on strike against an extension of the number of hours to eight. Gradually,

[12] *Final Report*, 1916, p. 69.

however, the hours were lengthened to twelve a day. During the early part of the nineteenth century the daily hours of labor in English factories were from twelve to fourteen. After general agitation the hours of work were reduced for children and women. The trade unions organized a movement for an 8-hour day in the building trades at Melbourne, Australia, in 1856, and on April 21 of the same year these trades secured the 8-hour day by peaceful methods. It was made permanent by a four months' strike in 1859. In rapid succession other unions secured a similar work-day. In 1873 the Parliament of New Zealand passed a law providing that no child or woman should work longer than eight hours, and Victoria did the same in 1874, both states adopting the half-holiday on Saturday afternoons. Subsequent to 1901 the 8-hour law in New Zealand has provided for a maximum of 48 hours of work a week, or 8¾ hours a day, for adult men, and 45 hours weekly, or 8¼ hours a day, for women.

In 1850 the movement for an 8-hour day took definite form in the United States. Provision of work for the unemployed was the chief motive behind the movement. There soon developed also a second motive which implied that the 8-hour day would mean high wages. The American Federation of Labor emphasizes the slogan that

> "Whether you work by the piece
> Or work by the day,
> Decreasing the Hours
> Increases the Pay."

The Labor Reform Association, organized in 1864, and the Grand Eight-Hour League of Massachusetts, organized in 1865, took up the agitation for the 8-hour day which had been championed by Ira Steward, machinist and social reformer, in 1850. The 8-hour day was the main topic discussed at a national labor congress held in Baltimore on August 20, 1866, and a National Labor Party was organized to carry on the fight. Six states

enacted laws which were either unenforced or unenforceable. In 1868 the National Labor Union secured the legal introduction of the 8-hour day for workmen and employees of the federal government. Organized labor was convinced that voluntary agreements were more reliable than legislation. Subsequent to 1869, new eight-hour leagues were founded, and in May, 1872, the 8-hour day was introduced in the building trades of New York, after a three months' strike. Under the leadership of what became known later as the American Federation of Labor the 8-hour day movement was given more unified expression. In 1884 the new federation resolved to call a general strike in May, 1886, for the 8-hour day. About 13,000 workers secured the 8-hour day, temporarily at least, as a result of this strike. In 1888 the American Federation of Labor, at its St. Louis convention, decided upon a new general demonstration for the 8-hour day, to take place on May 1, 1890. The movement soon spread to Europe and between 1900 and 1914 the shorter work-day was incorporated into agreements and laws in many countries.

Prior to the outbreak of the World War comparatively few workers in the United States, other than those in the building trades, had secured an 8-hour day. Beginning with the spring of 1915, however, a great deal of progress was made, and by June 30, 1919, hours of labor had been reduced to eight for at least 3,462,000 persons. This new phase of the movement began in Bridgeport, Connecticut, in 1915, when a succession of successful "eight-hour" strikes occurred in industries making munitions for European belligerents. The coal miners soon won the straight 8-hour day and, under the Adamson act passed in 1916, the basic 8-hour day was introduced for railroad workers. The National War Labor Board encouraged the adoption of the basic 8-hour day in many industries. For many years the 8-hour day had obtained in government navy-yards and arsenals, and it was now extended to cover government contracts connected with the construction of

cantonments and ships during the Great War. Meat packers, garment workers, and lumbermen were among those who soon won the basic 8-hour day. The movement continued to grow even after the signing of the armistice, until scarcely a trade or industry existed which did not have some 8-hour employees. Approximately three-fifths of the employers of clerical help kept their work-week within 42 hours and one-third established a limit of 39 hours or less. The Saturday half-holiday also made progress in clerical employments.

In interpreting the movement for the 8-hour day it is necessary to keep in mind that the majority of the workers who are supposed to have secured the shorter work-day in recent years were in reality given a basic and not an actual 8-hour day. An actual or straight 8-hour day consists of only 8 hours with no overtime permitted except in emergencies, while a basic 8-hour day simply means that 8 hours is a day's work and any number of extra hours may be worked at an increased rate of pay. Summarizing the situation regarding the progress of the movement for a shorter work-day in the United States, it may be said that for unskilled labor there exists as yet no definite standard of hours, the length of the working-day depending upon whether or not the workers are associated with skilled workers and upon the wishes of the individual employer. In the case of the skilled workers, who constitute a minority of all workers in the country, the 8-hour day as a standard seems to have been generally established, and considerable progress has been made towards a 44-hour week. For the great mass of workers—the unskilled and unorganized—10 or more hours still constitute a day's work, the gains made in the way of shorter hours of work during the war being lost in the period of unemployment that followed, when employers reintroduced the longer work-day.

In practically every European country the movement for the 8-hour day has made remarkable progress in recent years. Information for the United Kingdom shows

that in the quarter of a century preceding 1919, the number of employees reported as having their hours reduced averaged about 120,000 per annum. In 1902, when the maximum weekly hours permitted in textile factories under the Factory and Workshop Act were restricted to 55½, more than a million employees had their weekly hours of work reduced by an average of one hour. In 1909, mainly as a result of the Coal Mines Regulation Act limiting the hours of labor in coal mines, over a half-million workers obtained reductions averaging about four hours. In other years of the same period the number affected annually ranged from 7,000 in 1903 to a maximum of about 155,000 in 1911. During the first seven months of 1919 nearly six million employees were reported as having their weekly hours of employment reduced an average of 6½ hours, irrespective of overtime. As a consequence of these developments the hours of labor in an ordinary working week in the principal industries are now generally 44 to 48 as compared with 48 to 60 in former years. The miners secured the 7-hour day, and were promised the 6-hour day. France, Germany, Denmark, Norway, Sweden, Spain, and many other countries followed the example of Great Britain in introducing the 8-hour day. There has been some reaction since 1919, but the ultimate triumph of the shorter workday is practically assured in Europe.

Conclusions.—Rapid progress towards the 8-hour day is being made by organized workers in every country, and by unorganized employees in those plants where an enlightened labor policy has been adopted. For the great mass of unskilled, unorganized laborers, however, the length of the working-day is still a serious problem. Even the achievement of the basic 8-hour day will not dispose of the deleterious effects of excessive hours incident to overtime, Sunday labor, continuous shifts, and night work. These are fundamental elements in the problem of hours of employment which must be given consideration. What is needed is not a basic 8-hour day but an actual 8-hour day with an adequate wage scale

which will do away with the necessity for overtime, except in emergencies, and the reduction of night and Sunday work to a minimum.

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CHAPTER VIII

CHILD LABOR

The Problem.—Children have always been more or less important in the economic life of peoples, but it was not until the era of the modern factory, with its power machinery and machine processes, that their labor was made marketable in competition with that of men and women and their employment gave rise to a serious economic and social problem. Industrial and commercial expansion led to severe competition for foreign markets as an outlet for surplus products, and the demand for cheap labor became insistent. It was to the advantage of capitalistic nations to keep the cost of production as low as possible, in order to market successfully the products of their industries. There existed a large reserve of child labor marketable at low wages, a supply which could be easily exploited if the machinery of production could be adjusted to the physical capacity of youthful workers. Improvement in technical processes of production and the introduction of easily operated machines, requiring little skill and no great amount of physical strength, soon made it possible to employ this practically untouched supply of cheap labor. Thus the child worker was introduced to modern industrialism, and his exploitation at once constituted one of the many evils incident to capitalistic production.

The employment of children in industry is a phase of the general problem of child welfare involving far-reaching physical, moral, mental, and economic effects. Employment of children in modern industry prevents normal physical and mental development. The period of schooling is cut short by the necessity of entering industry, and the confinement and strain of industrial life are likely

to injure the child permanently. The undeveloped muscular and nervous systems are unable to resist the wear and tear of toil, and fatigue soon sets in. It has been found that children are much more liable to industrial accidents and more susceptible to occupational diseases than adults. Experience has also shown that child labor and delinquency are intimately related, and that the child who enters industry at an early age is likely to feel his economic importance and to become less amenable to parental discipline.

A no less important aspect of the child-labor problem is its economic effect, the most serious phase of which is the displacement of adults by child workers. "Child labor must be counted as one of the most important causes of unemployment among adults. For some particular processes young persons are preferred to adults because of greater nimbleness or manual dexterity; but the principal cause which leads to their employment in the place of grown persons is probably the lower wage at which they can be hired."[1] Depression of the wage scale is one of the serious by-products of child labor. Investigations have shown that where child labor is common the earnings of adults tend to fall off, so that the additional earnings resulting from child labor do not materially increase the total income of the family.

It should not be understood that all child labor is injurious. There is an element of truth in the conception that prevailed among our Puritan ancestors that a certain amount of employment is likely to prove beneficial to the average child. The confinement of the modern factory, the hours of monotonous toil, and the denial of opportunities for education and pleasure which rightfully belong to childhood are the factors which make the employment of children a menace. In determining the gravity of the problem, therefore, certain fundamental inquiries arise. Is the child worker able to reach maturity with his health and physical vitality unimpaired? Does the child who enters industry at an early age receive

[1] U. S. Industrial Commission, *Final Report*, Vol. XIX, p. 918.

training that will conduce to his efficiency as an adult worker? Does employment of a child preclude the amount of education necessary to equip him for the enjoyment of rights and the performance of duties bestowed upon the citizen in a democracy?

Development of the Problem in England.—Even in its beginnings modern industrialism resulted in irreparable injuries to children. Long hours of work, insufficient wages, overexertion, lack of educational opportunities, forced deprivation of pleasures that belong to youth, and exposure to degenerating influences were among the many evils that prevailed during the early years of the factory system. Scarcity of labor was a problem for the early factory owners of England. The dependence of the mills upon water-power made it necessary to build them upon the rapid streams in the remote parts of Yorkshire, Lancashire, Derbyshire, and Nottinghamshire, where population was not great. Moreover, the people in these sections of England did not manifest a disposition to work in factories. The northwest part of the country, where the new industries were being established, did not afford an adequate supply of adult labor. There existed, however, an abundant supply of child labor which hitherto had not been exploited. The parish poor-farms and workhouses in large cities were overcrowded with children who, upon becoming of age, were unable to secure employment. Manufacturers were quick to avail themselves of this supply, and a nefarious system of apprenticeship soon emerged.

Employers signed indentures or contracts with the overseers of the poor, under the terms of which they agreed to furnish board, clothing, and instruction to the child apprentices for a certain number of years. In return for these considerations the children were put to work in the factories. Children from seven years of age upward were assembled in large numbers, from London and other cities, to operate the spinning machines in the factories of the northwest of England. The youthful workers were quartered in apprenticeship houses constructed in the

vicinity of the workshops. Housing conditions were wretched, hours of labor were excessive, and supervision was often inhuman. During periods of great industrial activity child workers were organized in two shifts, each working twelve hours, one during the day and one at night. When there was no night work the day turn was longer. Children were driven to their labor by task-masters. Their food was of the poorest quality, and they were frequently compelled to eat while at work, in order that the machines they tended might not be stopped. Time that should have been used for resting was spent in cleaning machinery.[2] "The beginning of the present century [nineteenth] found children of five and even of three years of age in England working in factories and brick-yards; women working underground in mines, harnessed with mules to carts, drawing heavy loads; found the hours of labor whatever the avarice of the individual mill owners might exact, were it thirteen, fourteen, or fifteen; found no guards about machinery to protect life and limb; found the air of the factory fouler than language can describe, even could human ears bear to hear the story."[3]

The dangers to health became greater as congestion of factory workers increased. Child workers were helpless to protect themselves against the avarice of employers, and the ignorance and selfishness of unwise parents. Although the public conscience was gradually aroused to the social and moral consequences of this unrestricted exploitation and waste of childhood, the problem continued to be acute because of the powerful individualism of the period, which looked askance at any proposed restrictions of individual liberty in industry. Destructive economic practices have often been condoned because they have been defended and justified by the economic philosophy of the times. This is as true to-day as it was then. More than a half century passed before there was general

[2] E. P. Cheyney, *Industrial and Social History of England*, 1901 edition, p. 247.
[3] F. A. Walker, *Political Economy*, p. 381.

acceptance of the doctrine that the state has both a right and a duty to protect the physical and moral well-being of its people, particularly its children.

Rise of the Problem in the United States.—In the United States the factory system had scarcely begun when the famous inventions of the power loom, the spinning jenny, the spinning mule, and the steam engine came into use. For some time, therefore, America escaped many of the glaring evils that had made their appearance in the industrial life of the mother country as a result of the Industrial Revolution. Our development was evolutionary rather than revolutionary in character. This was the result of many causes, but especially of the fact that the new machinery was introduced very slowly into American industrial life. There are many reasons also why our early industrial activities did not produce the exploitation of women and children that prevailed in England. American manufacturers benefited by the experiences of the English, and frequently introduced more desirable conditions into their better-equipped factories. The immense natural wealth of America, the abundance of free land, and the extraordinary mobility of the working population afforded opportunities for escape from any industrial conditions that might seem disadvantageous. Such conditions were not conducive to widespread employment of children, since the head of the household could provide adequately for his family. Moreover, in some localities, as Lowell, Massachusetts, employment conditions were said to be ideal.

As the economic life of America developed, the small factory gave way to the larger establishment, the intimate relations that had obtained between employers and employees began to disappear, and standards of employment were lowered. Child labor soon gained favor, even among so-called respectable and philanthropic persons. The introduction of child laborers into our early factories was the logical result of (1) the colonial conception of the social value of child labor; (2) the provisions of the poor laws which sought to prevent children from becom-

ing public charges; and (3) the desire of manufacturers for a supply of cheap labor. The propriety of child labor was scarcely questioned; indeed, it became a virtue to rescue children from the demoralization of idleness. Methods of dealing with pauper children reflected the influence of the mother country. The extent of apprenticeship and the conditions that attended it in colonial communities are not known exactly. After careful examination of historical evidence, Miss Abbott suggests that "the work was in some cases very heavy, and the treatment severe and unkind . . . although conditions varied greatly according to the character of the master and his home." The children were not necessarily taught a trade. In all probability the evils of early child labor in this country were not so great as those incident to the modern factory, but evidence indicates that children from eight to fourteen years of age were employed, and that women and children frequently constituted the total working force.[4]

It was commonly believed that these children would find in industry protection from the vice and immorality of idleness. In 1789 the petition for the first cotton factory, at Beverly, Massachusetts, was based partly on the ground that it would "afford employment to a great number of women and children many of whom would be otherwise useless if not burdensome to society." A contemporary witness testified to the fact that all of the operatives in the first complete cotton factory in Rhode Island, built by Samuel Slater, the "father of American manufactures," were between seven and twelve years of age. In his "Report on Manufactures" Alexander Hamilton called attention to the usefulness of children in industry. It was a common argument that the work of manufacture could best be accomplished by children. The high cost of adult male labor was undoubtedly responsible

[4] In this whole discussion of early child labor the author has drawn freely upon Miss Edith Abbott's excellent article, "A Study of the Early History of Child Labor in America," which appeared in the *American Journal of Sociology*, Vol. XIV, pp. 15-37.

for this conception of the productivity of youth. Since no complete statistics are available, it is impossible to determine the extent of child labor in the early period. That it tended to increase there can be no doubt, since there was practically no regulation of the employment of children.

Subsequent to the Civil War children became an increasingly important factor in American industries. No statistics of the number of children engaged in gainful occupations in the United States were compiled preceding 1870, but the census of that year showed that 739,164 children between 10 and 15 years of age were employed, of whom 114,628 were in manufacturing plants. In 1880, according to the census, 1,118,356 children from 10 to 15 years of age were employed, or 16.8 per cent of all in that age group. This means that during the decade the number of gainfully employed children increased almost 59 per cent. In 1900 the number of gainfully employed children was 1,750,178, or 18 per cent of the age group between 10 and 15 years, indicating an increase of 56 per cent over the total for 1880.

Recent Growth of Child Labor.—According to the census statistics of 1910 there were 1,990,225 children of both sexes in the age group of 10 to 15 years, who were engaged in gainful occupations. These youthful workers constituted almost 12 per cent of all persons employed in agricultural work and a little over 2 per cent of the persons engaged in employments other than agriculture. Of all the children gainfully employed, 895,946 were under 14 years of age, while of those between the ages of 10 and 13, 609,030 were boys and 286,946 were girls. Out of the total of 1,990,225 employed children under 16 years, 1,353,139 were boys and 637,086 were girls.

Such information as is available suggests that the number of children under 16 years of age employed in gainful occupations was diminishing during the years just preceding the outbreak of the European War in 1914. In 1909 there were 19 cities in which children under 16 years

of age constituted 4 per cent or over of the wage-earners employed in factories, whereas, in 1914, there were only 8 cities of this class. The average number of wage-earners under 16 years in factories, in cities with a population of 10,000 or over, was 98,528 in 1909, and 72,870 in 1914, an average decline of 25,658, or somewhat over 26 per cent.[5] These statistics were gathered during a period of depression and may not, therefore, be a true index of the status of child labor.

The outbreak of the war in Europe soon created an unprecedented demand for American products, particularly of munitions. Beginning with the autumn of 1915 a rapid rise began in the number of children entering gainful occupations, and heavy increases were recorded practically everywhere for 1916 and 1917. The increase in 1916 over 1915 in the number of children taking out employment certificates in certain large cities ranged from 14 per cent in Baltimore to 400 per cent in Lowell, Massachusetts. After the United States entered the war the number continued to increase. Among the conditions responsible for this were (1) the rapid rise in the cost of living; (2) the absence of male supporters of the family who were in military service; (3) attractive wages offered by employers; and (4) the spirit of adventure growing out of the excitement of war. Business, industry, and agriculture drew heavily upon child labor. In New Hampshire, for example, the number of children between 14 and 16 years employed in the chief factory towns increased 119 per cent in 1917 over 1916, and 58.7 per cent in 1918 over 1917. In Washington, District of Columbia, there was an increase of more than 163 per cent in the fiscal year 1917-1918 over 1916-1917, largely because of the demand for child workers in government offices.[6]

Following the armistice there was a decrease in the number of children entering industry, owing to the shut-

[5] *Abstract of the Census of Manufactures*, 1914, pp. 285, 286.

[6] Nettie P. McGill, "Trend of Child Labor in the United States, 1913 to 1920," *Monthly Labor Review*, April, 1921, pp. 1-14.

ting down of war industries, the return of military forces to civilian occupations, and the uncertainty of the business outlook. In many places there was a temporary increase in child labor in 1919, owing to the continued increase in the cost of living and the lure of attractive wages for children. Beginning with the late summer of 1920 there occurred a depression in business and industry which tended to retard the movement of children into gainful occupations. It is significant, however, that whereas the population of a certain group of representative cities of the United States is estimated to have increased on the average 14 per cent between 1913 and 1920, the increase of children receiving employment certificates during the same period in these cities was 13.4 per cent. While accurate statistics are not available, it is likely that in the several states represented by these cities child labor has kept pace with the increase in population. It is essential to remember that children who receive employment certificates are supposed to be legally employed. If data concerning illegally employed children could be secured, there is reason to believe that the problem of child labor would manifest even more serious aspects.

From this brief historical survey of child labor several conclusions may be drawn. (1) The child-labor problem is the joint product of the conception that child employment is beneficial, and the rise of the factory system following the Industrial Revolution. (2) Commercial incentives have tended to replace moral reasons for the employment of children. (3) Child workers have been an important factor in the industrial development of capitalistic nations. (4) During periods of industrial prosperity, when adult labor is relatively scarce, employers tend to draw heavily upon child labor. (5) During periods of high prices children are forced into industry because of the high cost of living, which makes it imperative to supplement the earnings of the father with the meager earnings of children. (6) Child labor in modern factories often results in serious physical, social, moral, and economic consequences.

The Occupations of Children.—Children enter almost every kind of industry in which their unskilled labor and their limited physical strength can be applied successfully. In mercantile establishments, the various branches of manufacture, and in agriculture, the child worker has become a significant factor. According to the federal census of 1910, 17,000 boys under 16 years of age were working in coal and iron-ore mines and quarries, of which about 2,200 were between the ages of 10 and 13 years. Children under 16 years were found in the greatest numbers in the clothing industry, shoe factories, bakeries, candy factories, hat, collar, shirt and cuff establishments, slaughtering and meat-packing houses, blast furnaces and steel mills, printing and publishing plants, cotton mills, telegraph and telephone service, banking and brokerage houses, cigar and tobacco factories, and silk, knitting, and woolen mills. The greatest proportion were employed in mercantile establishments and textile mills. In the cotton industry in some southern states children have often constituted approximately one-fourth of the total number of employees. A recent examination of employment certificates of 7,147 children between the ages of 14 and 16, in Connecticut, showed that 5,342, or 74.7 per cent, were first employed in manufacturing and mechanical industries; 1,233, or 17.3 per cent, in trades; and the remainder in transportation, personal and domestic service, and other occupations. Among the manufacturing and mechanical industries the metal industry ranked first, with 2,068 children employed; textile manufacturing was second, with 1,498, and the clothing industry third, with 616.[7] A study of child labor in Waltham, Massachusetts, showed that 65 per cent of the children who left school entered manufacturing establishments, while 13.5 per cent entered mercantile establishments.

The employment of children in industrial homework has for a long time been a source of deep concern to those who are interested in the protection of childhood. The

[7] R. M. Woodbury, "Industrial Instability of Child Workers," U. S. Children's Bureau, Bulletin No. 74, p. 16.

manufacture of artificial flowers, the shelling of nuts, the manufacture of cheap jewelry and similar products lend themselves readily to child labor and homework. A recent study made by the United States Children's Bureau in three Rhode Island cities revealed what may be considered typical conditions of the employment of children in home industries. It was found that a considerable number of children between 5 and 15 years of age—in all, nearly 5,000, or 8 per cent of the children of this age group—had done factory work in their homes, either by hand or machine, at some time during the year 1918. The bureau found that nearly 100 different kinds of work were performed by children, the occupations including the carding of snaps and shoe buttons; assembling of various kinds of jewelry; stringing of beads; clipping, stringing, and scalloping lace; pasting or stitching chenille dots on veils; finishing underwear; and many other simple operations incidental to manufacture. Many of the children under 14 years of age used machines in these operations, and worked under conditions that were very undesirable. Three-fifths of the employers interviewed stated that if industrial homework should be abolished it would not be difficult for them to make the necessary readjustments in their business.[8]

It is a matter of general knowledge that children do considerable work on American farms. Almost three-fourths of the working children of the United States between 10 and 15 years of age, or more than one-eighth of the total child population of these ages, are said to be laboring in gainful occupations unregulated by state or federal child labor laws. The greatest proportion of these children—approximately one million and a half, according to the census of 1910—are engaged in some form of agriculture. In 1915 about 5,000 children between the ages of 6 and 15 years were engaged in beet-raising in Colorado, and in 1919 children below the age of 10 years were working in the cotton fields of Texas and Oklahoma,

[8] Eighth Annual Report of the Chief, U. S. Children's Bureau, 1920, p. 23.

in the tobacco fields of Kentucky, the beet fields of Colorado, and on thousands of farms throughout the United States.[9] The effect of unregulated farm labor on the physical and mental development of the child has not been determined specifically. It is generally agreed that such labor is not so deleterious as employment in factories and home industries, but that the benefits are not so numerous as are supposed. Premature and excessive work on the farm often results in loss of educational opportunities and may interfere with the child's normal growth. "Wherever rural child labor is greatest we find the highest percentage of illiteracy and the largest proportion of children not attending school."[10] The problem of rural child labor is most serious in frontier and newly settled sections of the country, as throughout the northwest and far western states, and on the truck farms tilled by recent immigrants.

The Wages of Child Workers.—General information concerning the wages of child workers is difficult to obtain, but available statistics indicate that they are paid miserably low wages. Official reports put the average weekly earnings of a child at about $3.46. The United States Department of Labor found that the wages of children between 12 and 14 years of age in southern cotton mills were between $3.54 and $5.04 weekly. A study of youthful workers, 14 to 19 years of age, in Waltham, Massachusetts, a few years ago when earnings were generally high, showed that 32.1 per cent received $5 or more weekly, in their first employment; 35.7 per cent received from $4 to $4.99; and 32.1 per cent received less than $4.[11] Other federal investigations have shown that children's earnings average about $3.00 a week. In connection with the study of industrial homework in Rhode Island cities, it was found that in the majority of cases the earnings of the children had contributed very little

[9] See Ruth McIntire, *Children in Agriculture*, Pamphlet No. 284, National Child Labor Committee, March, 1919.

[10] *Ibid.*, p. 24.

[11] *Monthly Labor Review*, February, 1918, p. 148.

to the family income, although homework had been resorted to on account of the inadequacy of the father's wages to maintain the family. The average earnings per family from homework in 1918 was only $48, of which children contributed a small amount, since over half of them were able to earn at a maximum the sum of five cents an hour. A recent study of working children under 16 years of age, in Boston, indicated that about three-fourths of the children interviewed received less than $5 initial weekly wages in their first employment; 5.1 per cent received less than $3; and 68.4 per cent earned from $3 to $5.[12] Everywhere the evidence supports the conclusion that the earnings of children in industry are so small as to add very little to the family income and are by no means compensatory for the physical, moral, and intellectual losses resulting from premature employment.

Conditions of Employment.—When we turn to the conditions under which children are employed in industry, the problem is no less acute. This is especially true where children are engaged in industrial homework. Working children are frequently forced to toil long hours, particularly where state laws are inadequate or their enforcement is lax. Where children are employed in sweatshops in the manufacture of clothing, artificial flowers, feathers, neckties, cigars, et cetera, whether in the factory or in the home, hours of labor and conditions of work are anything but desirable. In busy seasons the work-day is painfully long, and the strength and vitality of the youthful workers are taxed to the utmost.

In the absence of strict law enforcement children have been found working eleven or twelve hours a day and about sixty-six hours a week. In a recent federal study of children in industrial homework it was found that many of the children worked not only after school hours but also in the evening, and some worked exclusively at night. A small number of children who were employed regularly during the day in factories or stores also worked

[12] *Ibid.*, January, 1921, pp. 45-59.

at home every night.[13] Moreover, much of this work was carried on under conditions dangerous to the health of the consuming public, communicable diseases being prevalent in the homes of the workers. Diphtheria, typhoid fever, eczema, tuberculosis, and syphilis were among the diseases found in the homes where children were employed.[14] Night work is even a greater evil for child workers, since long hours of night labor are accompanied by insufficient rest during the day. Even in states that are noted for progressive laws and law enforcement, there is a tendency to violate the legal provisions as to hours of labor. Too long daily hours and too long weekly hours are found. A study of several thousand cases of child workers showed that in over one-sixth of all the positions held the provisions of the law relating to daily hours of work were violated, and in about one-seventh those relating to weekly hours were violated. Also, where excessive daily and weekly hours prevailed, children were frequently employed at night and occasionally were required to work seven days a week.[15]

The Instability of Child Workers.—Child labor is generally supposed to be cheap labor, when in reality it is often expensive labor. From the standpoint of the nation all child labor is expensive because of the evils that result therefrom. Employers, however, do not always stop to consider either the social or economic waste involved in the excessive employment of children under sixteen years of age. The cost of labor turnover, which is always high among child workers, is seldom calculated. The length of time which a child worker remains in one position is important from the standpoint of both the social and the economic value of the child.

Numerous experiences indicate that the rate of turnover among children is exceptionally high. A study of 7,147 child workers in Connecticut showed that these chil-

[13] Chief of U. S. Children's Bureau, *op. cit.*, p. 23.
[14] *Idem.*
[15] Helen S. Woodbury, "Working Children of Boston," *Monthly Labor Review,* January, 1921, pp. 45-59.

dren had held 14,826 positions, of which 8,867 were held by 4,000 boys and 5,959 by 3,147 girls. The data indicated that there is a strong tendency to an early change from the first position, either on account of the peculiar psychology of the child or the opportunity for economic improvement. Over one-third of the children whose work histories had lasted at least twenty-one months left their first positions within three months, and over one-half had left by the ninth month of work. Of child workers, girls are manifestly more stable than boys. Only 12½ per cent of the girls left the first position within the first month, while 18 per cent of the boys left within that period. Four-tenths of the boys, as contrasted with three-tenths of the girls, left within three months. Over one-half of the boys had left before the end of the sixth month, while the percentage for the girls did not reach one-half until somewhat over nine months of work. Only 30 per cent of the children who commenced work between 14 and 14 years and 3 months remained in the first position for more than a year and nine months.[16] This experience is typical of those in other sections of the country. Corporation experiences generally show that there is a tendency among child workers to shift from job to job and that this tendency is even more pronounced in the case of boys.

Unemployment Among Children.—What has just been said concerning the turnover of child workers suggests that unemployment is likely to be relatively high among them. It is a common occurrence for a child not to find immediately a position which is exactly to his liking or for which he is adapted either by temperament or natural ability. These difficulties arise even with adult laborers, and are naturally more prevalent among children who have had little or no experience in industry or business. The problem of unemployment is obviously not so serious as in the case of adults, except where the child's income is the chief source of support for the family. Yet, the fact that children may lose a great deal of time through

[16] R. M. Woodbury, *op. cit.*, p. 108.

unemployment makes their earnings that much less adequate.

A study of unemployment among a certain group of children in Boston showed that the proportion of unemployed time was 14.4 per cent. The highest percentage of unemployment for any sex and nativity group was 22.9, for the native girls of native fathers, evidently the result of a tendency to work only when the more attractive positions were offered them. Among "steady" child workers, or those who held one position for a year or more of their work history, the percentage of unemployment was only 2.7; among "active" child workers, or those who held one position six months or one year, the percentage rose to 15.1; in the case of "restless" workers, or those who held positions an average of three to six months, unemployment amounted to 20 per cent; and in the case of "unsteady" workers, or those who held one position on an average less than three months, the percentage was 34.9.[17] Other investigations have uncovered similar conditions of unemployment among wage-earning children. As the child acquires business or industrial experience he is likely to secure a position with which he is fairly well satisfied, become reconciled to the rigid discipline of industry, develop greater efficiency, and settle down to steady work. Inadequate industrial education and the lack of proper vocational guidance are factors partly responsible for the high percentage of labor turnover and unemployment among youthful workers. Children who leave school between 14 and 16 years of age are not fitted for industry, having received no special training for the occupations they enter, and only in a few cases where children are "learning the business" does industry attempt to make the necessary adaptations to child workers. Industrial depression, unscientific methods of industrial organization, the restless nature of the child worker, and the lack of experience and ability are contributory causes of widespread unemployment among children.

[17] Helen S. Woodbury, *op. cit.*, pp. 8, 9.

Accidents and Sickness.—Ever since the problem of child labor first attracted the attention of social reformers, the pertinent question has been asked whether the child worker is likely to grow into adult life with his health and physical vigor unimpaired. Experience has proved that children are more liable to accidents and more susceptible to occupational diseases than are adults. Incomplete development of muscular and nervous systems means that the child has only a minimum power of resistance to the poisonous substances and injurious dusts to which he is exposed in many industries. A recent examination of employment certificates in Boston showed that nearly one child in every twelve had suffered some accident since taking his first regular position, and that seven-tenths of the accidents occurred while the children were at work.[18] Another investigation showed that boys under 16 had twice as many accidents as the adults, and the girls under 16, three times as many accidents as the women.[19] In the cotton mills of the South the accident rate for children was more than double that for employees over 16 years of age.[20] In eight factories in England the accident rate among the boys (those under 18 years of age) exceeded by 50 per cent the rate for men over 41 years of age.[21] Carelessness of children in handling dangerous machinery is a prominent cause of the greater percentage of accidents among them. The child worker will venture blindly into numerous hazards to health and limb, which are carefully avoided by all save reckless adults. The child's inexperience in handling machinery and the employer's failure to safeguard it are other responsible factors.

Industrial physicians are agreed that adolescence presents an exceptionally serious crisis for children who enter industry and that child workers have received but little consideration in industrial sanitation. It is estimated

[18] Helen S. Woodbury, *op. cit.*, p. 11.
[19] U. S. Industrial Commission, *Final Report,* Vol. XIX, pp. 917, 918.
[20] National Child Labor Committee, Pamphlet No. 243.
[21] U. S. Bureau of Labor Statistics, Bulletin No. 230, pp. 146, 147.

that three-fourths of the young people 16 years of age leave school for employment, and one-fifth of those 14 and 15 years of age. The greatest development of physical power is said to take place between the ages of 15 and 19, the most rapid gains being made between 16 and 18 years of age. Various investigations in Europe and the United States show a high rate of sickness between the ages of 15 and 20, and a high death rate prevails in this country among young persons employed in cotton mills and in the printing industry. Thus, during a period of crucial and extensive physical and mental changes, fatigue and overexertion incident to industrial work often lead to collapse resulting in physical incompetence and economic dependence. The great acceleration of growth in height and weight and of motor power and function during adolescence is impeded by excessive toil.[22]

Economic Effects of Child Labor.—It has long been recognized that the labor of children may be marketed in severe competition with the labor of men and women. Some people have designated this as the most serious effect of child labor. There are three ways in which the employment of children may result in competition with adult workers: (1) Adult workers may be displaced and thrown out of employment; (2) the conditions of labor may be demoralized; and (3) the wages of adult workers may be lowered. In unskilled occupations or where easily operated machines have been introduced, child labor has resulted in displacement of adult labor. The competition of children with men and women workers on the labor market inevitably tends to depress the general level of wages. An investigation by the federal Department of Labor showed that of a number of children under 16 years who left school to go to work, 90 per cent entered industries in which the wages of adults were $10 a week or less. Many other investigations have shown that the family income is not greatly increased by the earnings

[22] Harold H. Mitchell, "The Need for Special Health Protection of Employed Adolescents," *American Journal of Public Health*, November, 1921, pp. 973-978.

of children, on account of the fact that the competition of youthful workers depresses the earnings of adults. In certain textile mills, for example, the United States Industrial Commission found that where women and children worked the earnings of the entire family were no greater than in industries in the same state where only men were employed. Because child workers cannot bargain collectively, employers find it easy to extend the hours and to neglect the physical conditions of employment. Child labor, moreover, has been classified as one of the important causes of unemployment among adult workers. In the period of general unemployment, 1921–1922, the Secretary of Labor stated that one and a half million more jobs for adults would be available to relieve the unemployment situation, if child labor in the United States were eliminated. On both economic and social grounds the Secretary protested against the practice of working children in the heartless maw of factories, mines, and quarries, and on farms.

Reasons for the Employment of Children.—Child labor is difficult to justify, but its causes are easily determined when one remembers that the major emphasis of modern industrialism is upon profits. Employers excuse the employment of children on the grounds that labor is scarce, production costs must be lowered, the difficulties of seasonal fluctuations cannot be surmounted in any other way, needy families must be assisted, and custom has made child labor an integral part of the industrial system. None of these reasons can be accepted as valid in a progressive community, since child welfare must not be sacrificed to selfish gain.

Many conditions have contributed to the general employment of children in every country. (1) *The introduction of easily operated machinery.* Technical improvements have made it possible to use the limited strength and energy of the child in the operation of machines and the performance of many services in modern industry. (2) *The economic pressure of inadequate family income.* The loss of the main support of the family and the rapid rise in

the cost of living have been prominent causes of child labor. A recent study of child welfare in a coal-mining community showed that over half of the children between thirteen and sixteen years of age had worked. This included two-thirds of the boys and one-third of the girls of these ages. Of the children who worked regularly, one-third of the boys and over one-fourth of the girls started to work before they were fourteen "'Family need' was the reason most frequently given for leaving school and going to work, and the proportion of children who had left school for work was greater as the father's income was less. The number of wage-earners in the family, including the number of child wage-earners, decreased as the father's earnings increased." Over one-half of all the fathers or heads of households earned less than $1,250 a year. The average best day's pay was between $4 and $5, but nearly three-fourths of the fathers who reported had periods of unemployment during the year. Besides unemployment, accidents were an important factor in family distress, almost one-fifth of all the fathers working in the mines having met with accidents at their work within the three and one-half years preceding the inquiry.[23] Moreover, as the cost of living rises children are forced to enter industry to help maintain the family. (3) *Weaknesses in the educational system.* School curriculums have not been adjusted to the needs of the child, with the consequence that children leave school long before they should. An investigation of child labor in Waltham, Massachusetts, showed that 50 per cent of the children went to work because of dislike for school, backwardness in studies, or trouble with the teachers. Over one-third gave economic necessity as the primary reason for leaving school, about one-tenth gave preference for work as the reason, and about 5 per cent stated that it was their parents' wish that they go to work. About 76 per cent of the children turned their entire earnings into the family pocketbook.[24] (4) *The child's desire for economic*

[23] Eighth Annual Report of the Chief, U. S. Children's Bureau, 1920, p. 22.

[24] *Monthly Labor Review,* February, 1918, pp. 148, 150.

independence. It has been found that, among the wage-earning classes especially, children have a strong desire to escape the discipline and economic dependence of school days and to enter industry where they can earn money and become "their own bosses." (5) *The desire of employers for cheap labor.* Employers are interested primarily in profits, and the notion prevails that child labor is a means of reducing production costs. In periods of great industrial activity when adult labor is scarce and expensive, employers are not reluctant to violate the law in order to employ children. (6) *The ignorance and avarice of parents.* Many parents look upon children as a source of income rather than as a social responsibility. This conception prevails among the immigrants from eastern and southern Europe, and there is no doubt that the presence of large numbers of immigrant children, whose labor is marketable at low wages, has tended to stimulate the employment of children in American industries.

The Loss of Educational Opportunity.—Over a million youths enter industrial life in the United States every year, the larger proportion of them without special preparation for the tasks of industrial and business vocations. The Commission on National Aid to Vocational Education reported in 1914 that, on the average, the schools carry their pupils as far as the fifth grade, but in some cities great numbers leave before attaining that grade. The school term in rural districts is usually shorter than in the urban centers. The average rural school term in the United States is 140 days, while the average city term is 180 days. Nonattendance at school has been common in many states among children who work on farms. It is estimated that the average child in rural districts goes to school only a little more than half the time the schools are in session. In Colorado nonattendance was found to be most common among the children of immigrant beet workers, who missed more than three and one-half times as many days as the other children in the first three months of school. A similar situation was found in Kentucky and Oklahoma, and doubtless exists

in many other states. In rural Oklahoma there were in 1916 over 289,000 children enrolled in the schools, of whom only 57.2 per cent, on the average, attended daily. "The reason is not far to seek. In this state children of five years are already cotton pickers, and boys of eleven are all-around farmers, able to plow and to pick their share of cotton a day. Many children are kept out of school to herd cattle, to cultivate asparagus, and to do all the thousand and one odd jobs that occur on a farm." [25] Retardation in studies is the inevitable result of such practices.

The loss of education resulting from child labor is irreparable. The child enters industry poorly equipped and frequently unable to seize opportunities for advancement; he is likely to remain in a blind-alley occupation, and his efficiency as an adult worker is impaired. Moreover, the child worker is deprived of those higher educational opportunities which are necessary to prepare him for the assumption of the responsibilities of citizenship. The child who must enter industry at an early age is denied the privilege of developing his mental faculties for the full appreciation of the larger cultural values of life that are rightfully his heritage in a democratic country.

Moral Aspects of the Problem.—Entering industry without a vocation, in fifty per cent of the cases probably with no more education than schooling up through the sixth grade affords, children constitute a menace not only to the national standards of economic efficiency, but also to the moral standards of a civilized people. "The employment of children under fourteen pauperizes the parents and enforces illiteracy upon the children. It is one of the most prolific causes of poverty, pauperism, vice, and crime in adult years, and is, in fact, a grave menace to the peace and prosperity of the social order." [26] Children that enter industry prematurely often go the round of ill-health, industrial inefficiency, low wages, un-

[25] Ruth McIntire, *op. cit.*, p. 10.
[26] Adams and Sumner, *Labor Problems*, p. 66.

employment, and poverty. Economic distress and poverty in turn increase child labor.

Juvenile delinquency increased rapidly during the World War, and while this increase cannot be attributed entirely to the greater employment of children, it is generally believed that there was a close connection between the two. An examination of the records of the Manhattan branch of the children's court, covering 1,792 children (1,628 boys and 164 girls), revealed some pertinent facts regarding the relation between employment and child delinquency. The first conclusion drawn was that working children were unduly numerous among the offenders. Of the boys 614, or 37.7 per cent, and of the girls 68, or 41.5 per cent, had been employed previous to their arrest. It was estimated that about ten per cent of the children between 7 and 16 years, resident in the Borough of Manhattan, were employed during 1916.

An analysis of the nature of the offenses showed that the working children, who are estimated to form approximately one-tenth of the population aged 7 to 16, furnished about four-tenths (36.8 per cent) of the offenders charged with serious wrong-doing, while the nonworking nine-tenths furnished a trifle over six-tenths of the serious offenders (63.2 per cent). Among the recidivist or repeating offenders the working children were numerous, the percentage being much higher proportionately among them than among the nonworking children. Of the 552 recidivists, 48 per cent came from the working, and 52 per cent from the nonworking boys. In the proportion of offenders coming from their ranks, in the proportion committing serious offenses, and in the proportion of recidivists the working children compared unfavorably with the nonworking children. Theft was the leading offense among the boys, accounting for 47 per cent of the total number of cases, while incorrigibility and disorderly conduct were second, being responsible for 35.6 per cent of the cases. Of the total number of 614 boys at work, 39 per cent were delivery, errand, and wagon boys, and 23.8 per cent were news-

boys; the remainder were distributed among factories, street trades, offices, stores, and markets.

The investigating committee concluded that it would be absurd to claim that all working children become delinquents, and that there are undoubtedly individual cases where the shift from school to industry has proved the making of the boy, but that in general the evidence is massed on the other side. It has been found that child labor contributes not only to juvenile delinquency but also to idleness and shiftlessness of adult wage-earners. Many adult wage-earners would not be idle if the children did not make a contribution to the family income.

Minimum Standards of Employment.—Certain minimum standards for children entering employment have been set forth by such agencies as the United States Children's Bureau. The following minima are desirable bases for immediate legislation, but experience will doubtless prescribe even more progressive requirements. (1) *Age limits.* No child under 16 years of age should be employed in any occupation, although exemptions may be granted in the case of children between the ages of 14 and 16 employed in agriculture or domestic service during vacation periods, until schools are continuous throughout the year. Employment in and about mines and quarries should not be open to minors under 18 years of age, while the minimum age limit of 21 years might well be adopted for messenger services. No child should be employed in any occupation which is obviously dangerous to health and which retards physical and moral development. (2) *Educational requirements.* All children between the ages of 7 and 16 should be required to attend school for at least 9 months each year; those between 16 and 18 who have finished the eighth grade but have not completed the high school curriculum, and who have entered industry or any occupation, should attend a day continuation school for at least 8 hours a week; children of these ages who have not completed such schooling and are not regularly employed should be required to attend a full-time day school. Special occupational training must be provided for retarded and

subnormal children. (3) *Physical fitness.* No child should be permitted to enter any occupation until his physical fitness and normal development have been affirmed by a competent medical officer intrusted with the administration of this important matter. Moreover, there should be a semi-annual or annual physical examination of all working children who are under 18 years of age. (4) *Hours of employment.* The maximum hours of employment for children under 16 years of age should be 8 in each day and 44 in each week, while for those between the ages of 16 and 18 the working-day should be less than the legally prescribed hours for adults. Time spent in continuation schools should be counted as a part of the child's working-day. No minor should be allowed to work between the hours of 6 p. m. and 7 a. m. (5) *Minimum wage.* Every child employed in any occupation should be paid a wage adequate to maintain the desired degree of respectability, comfort, and decency in a progressive community. In no case should child workers be sacrificed to the avarice of employers. During periods of apprenticeship special adjustments in compensation may be allowed, but both the period of learning and the pay should be controlled by a minimum wage commission or a similar official body. (6) *Placement and employment supervision.* An adequate, centralized agency for vocational guidance of children should be established, a placement bureau organized to assist minors in finding suitable employment, and continued supervision exercised over child workers during the first years of employment.[27]

Conclusions.—The history of child labor is replete with evidence of the tendency of employers to exploit child workers in the absence of adequate legal regulation. The eradication of the evils resulting from the employment of children is a primary duty of a civilized community. No child should enter industry or agriculture prematurely and thus be deprived of the opportunity for proper physical, moral, and mental development. National progress is inconceivable apart from adequate protection of the

[27] Report of the Chief, U. S. Children's Bureau, 1919, pp. 247, 248.

nation's youths from the avarice of those who value profits above human life. The conditions that make child labor necessary and possible should be eliminated in the interest of social welfare and progress.

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CHAPTER IX

WOMEN IN INDUSTRY

Woman as an Economic Factor.—From the very beginning of economic evolution, women have been an important factor in the industrial progress of races; indeed, during the earlier stages of economic development women were the primary producers, since men devoted themselves largely to warfare and the chase. In the handicraft stage, manufacturing activities centered around men, but women have always constituted an integral part of the factory system. The changed methods of production resulting from the introduction of power machinery have been responsible for the increasing employment of women in industry. This significant economic change has had several far-reaching effects: (1) The labor of women, like the labor of men and children, was utilized henceforth under conditions of employment not subject to their control; (2) women entered the labor market as wage-earners in competition with men; and (3) the shifting of production from the home to the factory has had many deleterious effects on women workers and family life.

There is nothing fundamentally objectionable about the employment of women; their right to employment is as valid as men's, and they may contribute relatively as much to national progress. In the case of women workers, however, there are certain physiological and social considerations which cannot be disregarded, and which differentiate their position in industry from that of men. The future welfare of the race is so peculiarly dependent upon the health of women that unless their employment in industry is protected adequately, society is bound to suffer serious consequences. This situation, coupled with the fact that women may enter into competition with men

and so depress wage scales and conditions of work, makes the employment of women in modern industry an important economic and social question. The problem is not to prevent the employment of women in commercial, industrial, and professional fields, but rather to safeguard the conditions under which they are employed, and to eliminate the necessity of employing mothers whose services in the home may be far more valuable to society. Economic necessity impels women to find work, and they must go where the opportunity for employment presents itself. It is futile to insist that "woman's place is in the home." The modern home does not provide productive employment for all women, nor is domestic service particularly attractive to the average individual. Even with the insufficient wages and undesirable conditions that prevail, an increasing number of women are finding in industry and business greater opportunities for self-development and economic independence than obtain in the home. Recent studies of women in industry indicate that the contraction of domestic service as a field of women's employment shows signs of permanency, on account of the unwillingness of women to return to it under prewar conditions. New fields of employment are constantly opening up to women workers.

The Growth of the Employment of Women.—In the United States, as in other countries, women have been responsible in a significant degree for industrial expansion. While the total number of women employed in industry in this country during the early period of our development cannot be determined accurately, there is sufficient evidence of the fact that over a hundred industrial occupations were open to women.[1] In the first half of the nineteenth century women entered factories in increasing numbers. Female operatives in the early cotton mills were Americans, and were often the daughters of farmers, tradesmen, teachers, and preachers who lived in the neighborhood of the factories. In some parts of the country conditions of labor were desirable,

[1] Edith Abbott, *Women in Industry*, pp. 66, *et seq.*

but in other sections they were far from attractive and the working-day was excessively long. Little attention was paid to the problem because the majority of workers were not looking to industry as a life-long employment. As yet, no factory class had developed and the women employees, for the most part young and ambitious to earn as much as possible in a short period of months or years, endured the hardships of bad factory conditions and long hours with little complaint.

In the years immediately preceding the Civil War immigration to the United States increased to such an extent that the available supply of labor was augmented materially, conditions of labor were depressed, and, as a consequence, relatively fewer women entered industry. The availability of a greater supply of man-power furnished an incentive to introduce heavier machinery and faster processes which demanded more strength and nervous energy than women possessed. In "Women in Industry," Miss Abbott suggests that the machinery would have been adapted to the employment of women had male labor remained scarce. During the Civil War a large number of women were thrown upon their own resources, with the result that they again entered industry in increasing numbers. New fields of employment were thrown open to them and from that time on they entered into more active competition with men.

Statistics of the United States Census indicate the increasing importance of women in industry. In 1880 the total number of females ten years of age and over engaged in gainful occupations was 2,647,157, while in 1900 the number was 5,319,397, or more than twice as many as on the earlier date. In 1900 there were 28,246,384 women in the United States over ten years of age, so that about 19 per cent were gainfully employed, as compared with approximately 15 per cent in 1880 and 13 per cent in 1870. In 1910 there were 8,075,000 women gainfully employed, an increase of over 45 per cent for the decade. It is a notable fact that one-fifth of all gainfully

employed persons in the United States in 1910 were females. While the number of women workers outside the home increased about 45 per cent, the increase in the number of men workers was only 30 per cent. Of the 8,263,153 persons reported as engaged in manufacturing industries in 1914, 6,613,466, or 80 per cent, were males, and 1,649,687, or 20 per cent, were females.

When the United States entered the war in 1917, there were over 2,000,000 American women at work in factories. The number of gainfully employed women in the United States at that time was about 10,000,000. Subsequent to 1917, however, an additional 1,000,000 are believed to have entered gainful occupations, especially manufacturing and clerical positions. Approximately 100,000 teachers left the schools for clerical and other positions of war work, the majority going to Washington and other Atlantic coast cities. An industrial survey of 15 states showed that about 1,266,000 women were engaged in making war supplies in the United States in January, 1918, 100,000 of whom were manufacturing munitions. Women were placed in machine shops, automobile factories, railway repair shops, street railway service, and numerous other occupations. In December, 1918, the manager of the Woman's Service Section of the United States Railroad Administration stated that between January and October, 1918, the number of women employed by the steam railroads had increased from 60,000 to 100,000. With the exception of building and construction trades, women were placed in practically every industrial occupation, and especially in metal and machinery work.[2]

The census figures for 1920 show that of the approximately 42,000,000 persons 10 years of age and over engaged in gainful occupations, about 8,500,000, or 20 per cent were females. Not all the women who entered industry during the war period remained, but there is every

[2] See the author's monograph, *Labor Problems and Labor Administration in the United States During the World War*, pp. 68, *et seq.*

reason to believe that at the present time (1922) fully 12,000,000 women are in gainful occupations in the United States. In the light of such figures it is not difficult to appreciate the industrial significance of women.

Present-Day Occupations of Women.—A half-century of industrial progress in the United States, whose experience has not differed materially from that of other advanced industrial nations, shows that women have entered practically every kind of occupation. The modern woman is invading occupational territory hitherto considered the special province of man. The number of occupations and professions closed to women is diminishing with unprecedented rapidity; the economic emancipation of women, like their political equality, is destined to be one of the notable achievements of the twentieth century. There is not an industry listed in the United States in which women are not employed. The branches of industry employing the largest proportion of women include chemical works, clothing manufacture, corset, glove, and hat factories, candy factories, clock, watch, and jewelry factories, paint factories, munition and fireworks establishments, soap factories, the manufacture of food products, wagon and carriage manufacture, the manufacture of leather and leather products, shoe factories, box factories, printing and publishing works, the manufacture of paper products, button factories, rubber factories, straw factories, laundries, cotton, knitting, woolen, lace and embroidery, linen, silk, and carpet mills. The census figures show that more than one-half of the workers in textile, bookbinding, and glove-making trades and one-third of the workers in the canning industry are women. Women constitute a large part of the office staffs of banking houses, insurance companies, brokerage offices, and real estate firms. More than one-sixth of the total number of persons employed in wholesale and retail trade are females, while women and girls make up one-half of the workers in professional service, and two-thirds of those in domestic service. In the professions the gains of women are nearly balanced by the gains of men. There

has been a large increase of women in trade and transportation.

The Senate investigation of conditions of women and child wage-earners in the United States (1910-1913) revealed the significant fact that of twenty-three industries in seventeen states there were twelve in which women formed over one-half of the total number of workers. In 1920 approximately 1,084,000 women workers were engaged in agricultural pursuits, and 1,930,000 in manufacturing and mechanical industries. Fully 261,553 women are operating farms totaling 25,798,400 acres, averaging 98.6 acres to the farm. The percentage of farms operated by women in the states varies from 1.9 per cent of the whole in Nebraska to 7.2 per cent in Rhode Island.

About one-third of the wage-earners of New York State are women. Three hundred thousand women turn the wheels of production in that state, and some industries are known as women's industries. Women are the backbone of garment making, knitted goods manufacture, candy making, and the paper trades. They fill the ranks of the unskilled and semiskilled in large plants with standardized products, and in small, low-grade workshops in large cities. A survey of the employment of women in Minnesota from March, 1918, to December, 1919, showed that of 51,361 female workers included, approximately one-third were in manufacturing industries, one-fourth in mercantile establishments, one-eighth in domestic and personal service, one-sixteenth in telephone and telegraph work, and one-fifth in all other industries. No matter in what state or section of the country one may look, statistics everywhere indicate the fact suggested already; namely, that the field of employment for women is expanding to limits undreamed of a half-century ago.

Competition with Men.—Male workers, especially those who are organized, are prone to look with alarm upon the rapid increase in the number of female wage-earners. Men have always feared the consequences of competition with women, and have jealously attempted to prevent the

influx of women workers. The fact that women are leaving their traditional occupations—professional and domestic service—may entail serious results in so far as the employment of men is concerned. There appears to be little ground for the belief that women actually displace men on a large scale. Some displacement occurs, but during the period of industrial expansion in the last one hundred years, women have been employed in addition to men rather than in their stead. Women frequently enter into direct or indirect competition with men, and their employment results in conditions usually deemed unacceptable to organized labor. Women constitute a fairly elastic labor reserve, tending to increase when wages are attractive and to diminish when the wage level is lowered in periods of depression. It is a mistake, however, to think that this elasticity is such as to furnish a nice adjustment to fluctuating demands for labor. Many women, a large number of whom are married, enter industry during periods of business prosperity when wages are high on account of the relative scarcity of labor, and withdraw when business recession sets in and wages drop. During periods of depression, however, when unemployment prevails and wage scales are generally low, many women and girls are forced to find some kind of employment in order to insure support of the family, thus glutting an already overcrowded labor market and causing further decline in wage standards. Men are forced to accept lower wages or surrender their jobs to women and girls.

The danger of replacement and competition of male with female labor is apparently more serious in the unskilled than in the skilled trades. In occupations demanding a large degree of dexterity, physical strength, abundant nervous energy, and no small amount of special training, women have offered far less severe competition than they have in occupations characterized by repetitious processes, monotony, unskilled methods, and small demand upon physical strength and nervous energy. There are certain departments in transportation, such as

the operation of trains and steamships, and in the production of steel, in which extraordinary skill, training, and strength are required. The male workers in these occupations have little to fear from potential or actual competition with women. It is thus apparent that the influx of women workers into industry tends to swell the number of those whose conditions are already extremely undesirable on account of lack of skill and relatively excessive numbers. As machine processes break down the barriers of apprenticeship the competition of women with men has serious consequences.

The Wages of Women in Industry.—The wages of women in industry are pitiably inadequate, and are much below the remuneration received by men even when the work performed is similar in nature. "Women work in factories, not primarily for the joy of working, but because they must earn a living for themselves, and often for others. In too many instances they have had neither joy, nor enough earnings for a living. Managers employ them because they need their labor, and, often because they want it cheap."[3] Low remuneration has characterized the employment of women ever since they assumed the rôle of wage-earners, and prior to that time their economic status was in many respects even less desirable. This condition has prevailed for centuries in Europe, and it has also been a characteristic feature of the industrial experience of the United States. Reports of the movement led by Matthew Carey against low wages in Philadelphia show that in 1828 sewing women worked 16 hours a day for $1.25 a week. In the period of the Civil War an increase of 100 per cent in men's wages was quite common, while women's wages advanced about 20 per cent, but in some cases actually decreased. In 1900, the wages of men and women over 16 years of age showed that the median rate of wages for women in all industries was 53 per cent of the rate for men. A report on the relative wages of men and women in indus-

[3] Mary Van Kleeck, "Women and Machines," *Atlantic Monthly*, February, 1921, p. 255.

try in England indicated that in 1906 women's wages on the whole were less than one-half those paid to men, and that during the World War women's wages rose to about two-thirds of those paid to men.

The Federal Census of Manufactures in 1905 indicated that of 588,000 women employees 15 years of age and over, 18.4 per cent were receiving under $4 a week; 49.8 per cent, under $6; and 77.9 per cent, under $8. A federal investigation of woman and child wage-earners (1910-1913) covering 100,000 women workers 16 years of age and over found the situation unchanged. Reports of the United States Immigration Commission in 1911 indicated that of 57,712 women workers 18 years of age and over, the majority of whom were employed in cotton goods, woolen, and worsted manufacture, 5 per cent received under $5 a week; 45 per cent, less than $7.50; and 82 per cent, less than $10.

A survey in California in 1915-1916 showed that a large percentage of women received less than $10 a week, ranging from 48 per cent in printing and bookbinding to 94 per cent in 5-10-15-cent stores. For all classes of industry investigated, an average of 53.3 per cent of the women received less than $10 a week, although this amount was accepted as the minimum necessary to cover the cost of living.[4] In Minnesota, during 1918-1919, 34 per cent of 51,361 women wage-earners studied were below the subsistence line, or receiving less than $10 a week. In 8 of the 13 occupational groups investigated, over half of the workers did not receive an amount above the minimum subsistence wage, while one-third were below the subsistence level.[5] In Kansas in 1919 and 1920 the median wage paid to women workers in the main industries was $11.95, with 20 per cent of women earning an average weekly wage of less than $9. It was found that in Ohio in 1919, 14 per cent of the women workers were

[4] Third Biennial Report of the Industrial Welfare Commission, California, 1917-1918, p. 9.

[5] Department of Labor and Industries, Minnesota, *Women in Industry*, 1918, pp. 7, *et seq.*

receiving less than $10 a week, and 52 per cent less than $15 a week. Half of the women employed in the industries of Atlanta, Georgia, in 1920, were receiving less than $11.70 a week.

In 1919, a high-wage year, the earnings of women were lower than the minimum living wage set in various parts of the country. An investigation by the United States Bureau of Labor Statistics, covering the wages of women in certain industries in the chief industrial states, showed that the average weekly earnings of 1,093 women employees in the glass industry was $10.25; of 4,297 in the paper box industry, $10.89; of 6,439 in overall factories, $12.26; and of 13,374 in the hosiery and underwear industry, $13.04.[6] The wages of candy makers present similarly unsatisfactory conditions. In 1919 the actual earnings of 1,246 women piece- and week-workers in candy factories in Philadelphia were astonishingly low. Approximately 21 per cent earned less than $8 a week, while only 5 per cent earned $20 a week and over. The median wage for the entire group was $10.30, although the median wage in individual factories ranged from $7.41 to $12.86. At the same time the minimum living wage for that section of the country was placed from $15 to $18 a week. Meanwhile, candy manufacturers were boasting of a profit of three hundred per cent. The bureau's survey in 1920, covering 21 leading industries in 32 states, showed that in the manufacture of candy, paper boxes, hosiery, knitted underwear, and overalls less than a living wage was paid, as measured even by the most meager standard. It should be borne in mind that this information is for a period when the demand for workers was very great, and wartime wages were supposed to be raising every worker to a standard of unusual prosperity. In almost all industries wage scales declined in the period of depression following 1920.

Why Women's Wages Are Low.—In its final conclusions, the United States Commission on Industrial Rela-

[6] National Consumers' League, "Minimum Wage Commissions," January, 1921, p. 5.

tions suggested that the increasing employment of women is the result of several conditions: The low wages paid to men have made it imperative that women enter industry in order to help support the family; the tendency on the part of employers to substitute women for men because they will accept lower wages and are less likely to protest against undesirable conditions; and the introduction of improved machinery which makes exceptional strength and skill unnecessary.[7] It is generally recognized that women's wages are much lower than men's. In these conclusions of the commission is suggested the explanation of the low wages paid to women in industry. The inferiority of their remuneration is due to several causes:

1. *Nature of the Positions.*—Positions of skill, training, and responsibility are usually held by men, whereas positions requiring speed and a certain amount of dexterity, but not exceptional skill, are usually held by women. Consequently, women suffer not only from inadequate compensation, but also from fatigue and nervous strain. The conspicuous lack of industrial training among women accounts for this discrepancy.

2. *Inferior Physical Strength.*—Women are less skillful than men because of their lack of opportunity for industrial training, and their physical endurance is admittedly less. There are numerous tasks in modern industry for which women are physically unfitted. This tends to overcrowding in those occupations which women can fill, and a consequent depression of the wage scale.

3. *Relative Immobility.*—As a rule, women are more settled than men. Employers have found less turnover and a greater degree of loyalty among women than among men. Women are manifestly more appreciative of family ties and are more reluctant to sever their connections with home to seek employment elsewhere. Then, too, there are obvious moral dangers involved in migration from one locality to another which it is not wise for women to face. In the case of women workers who have others

[7] *Final Report,* 1915, p. 72.

depending upon them, the degree of mobility is even less than for single women. The facts that women are either not inclined to or cannot move readily from one industry to another and from one locality to another inevitably tends to the acceptance of what would otherwise be unacceptable terms of employment.

4. *The Comparatively Lower Cost of Subsistence.*—For average women the consumption of food is somewhat less than for average men, and they can extend their wages, if necessary, by preparing their own meals, making their own clothing, millinery, et cetera. They are thus enabled to accept lower wages than otherwise, and many employers take advantage of this fact.

5. *Dependence Upon Other Members of the Family.*—Many women and girls are not dependent upon industry for a livelihood, but seek employment a part or all of the time merely for the sake of obtaining spending money. The presence of "pin money" workers has a depressing effect upon wage scales for women. The competition of independent or semi-independent employees with those who must work to live is bound to have an extremely undesirable effect.

6. *Indifference to the Acquisition of Adequate Industrial Training and Experience.*—It is the experience of employers that the average woman looks forward to marriage, thus interrupting, if not ending her industrial career. As the British War Cabinet Committee on Women in Industry observed: "Owing to the shortness of this career, the young woman has not the same encouragement as the young man to cultivate industrial ambition, to work for improvements in her status and prospects, or to devote herself to the development of trade union organization."

7. *Lack of Organization.*—Efficient organization is one of the most urgent industrial needs of women. For various reasons, not difficult to understand, women have shown less capability of organization than men. Generally speaking, the causes of lack of organization are found in (*a*) women's lack of interest in permanent organization, (*b*) opposition of employers, and (*c*) lack of coöperation on

the part of male workers. It has been suggested that women and girls are inclined to regard their work in industry as incidental, rather than as a main purpose in life, that many of them are not dependent upon their own efforts for a livelihood, and that their industrial careers are likely to be so transitory that there is little opportunity or necessity for the development of a sense of industrial comradeship. It will be seen readily that such conditions do not conduce to interest in a permanent organization for improvement of conditions of employment. Again, unionization of women would result in raising wages above the prevailing standards, thus depriving the employer of an available supply of cheap labor. It is not to be wondered at, therefore, that employers have always opposed strenuously any attempts to organize women workers. Finally, organized male workers have displayed little disposition to admit women to their unions. While men have insisted that there should be equal pay for equal work regardless of sex, they have given practically no encouragement to women to enter their organizations; rather, indeed, has there been opposition to such a step. Although, as a result of the war, women have tended to crowd into occupations commonly employing men, comparatively few of them have been admitted into the men's unions. Women, however, are awakening to the necessity for organization, and as there develops a larger and more distinct factory class of female workers permanently connected with industry, unionization of women will be the rule rather than the exception.

8. *Greater Cost of Employing Women.*—Employers frequently claim that it costs more to employ women than men, on account of the numerous legal restrictions concerning the employment of female workers. Factory laws require many appliances for the protection of women and children employees, which are not so rigidly demanded in the case of men. This, according to employers, makes it necessary for them to secure women at lower rates of pay.

9. *Lack of Appreciation.*—It was pointed out that the low wages of women workers result in no small measure

from their industrial inertia, which develops from the consciousness that their work is more or less incidental and temporary. This may be responsible for the tendency on the part of women not to take their employment seriously and to underestimate the value of their services in industry. For example, a recent study of women in government service in the United States showed that of 529 applicants for civil service examination 80 per cent who agreed to accept the advertised minimum salary or less were women.[8] Self-depreciation is undoubtedly a factor in their wage scales. A thorough investigation by the British War Cabinet Committee on Women in Industry disclosed the significant fact that "even the wage-earning women in industry ask and expect very little for themselves" and they are "less concerned about their wages." If women do not expect high wages, it is unlikely that they will get them. Added to this self-depreciation is the pronounced tendency on the part of men to underestimate the value of women's services.

10. *Lack of Demand.*—Most of the factors that have been enumerated thus far have been responsible for the comparative lack of demand for women, and explain why so many occupations have been preëmpted by men. Physiological disabilities, the transitory nature of her industrial career, the lack of skill, the lack of mobility, the absence of appreciation of industrial worth, et cetera, explain why in many industries and professions the services of women have not been demanded. It has been a case of the lack of adaptability of her labor to the prevailing requirements of the labor market. "The number of industries that women may enter has been restricted and in consequence all women workers have had to crowd into a comparatively small number of occupations in which there has resulted an oversupply of female labor with a consequent detrimental effect on remuneration."[9]

11. *Tradition.*—Custom and tradition have dictated that

[8] *Monthly Labor Review*, January, 1920, pp. 208-217.

[9] Report of the British War Cabinet Committee on Women in Industry, 1919, p. 72.

"woman's place is in the home," and have prevented the preparation of women for the more responsible occupational and professional positions. To give the son a trade has long been accepted as the proper procedure; the daughter has not always been so carefully guided in preparation for a career.

12. *Political Weakness.*—Evidence is not lacking that the absence of voting power has been responsible for discrimination against women in public employment, and for the same reason they have been unable to take their fight for improved conditions of employment to parliamentary bodies. For example, in the government service of the United States discriminations prevailed in civil service examinations up to November, 1919, which barred women from a large proportion of the higher grades of service, a policy still reflected in the positions to which women are appointed and in the relative salary levels.[10] Equality of treatment evidently does not obtain even in government service. With the present tendency towards universal suffrage this discrimination will doubtless diminish.

The foregoing conditions have retarded greatly the industrial progress of women. Low wages and the conditions that produce them have tended to react in a vicious circle. Low wage scales have accentuated physical disabilities and have been both the cause and the effect of comparatively inefficient and inconstant work, inadequate training, and the lack of industrial organization. Moreover, women's wages in certain industries have been depressed to a level unwarranted by economic competition because unscrupulous and unthinking employers, recognizing the fundamental weakness in women's bargaining power, have paid wages not only less than their services were worth but even insufficient to maintain a standard of comfort and decency. But the future contains greater promise. "Women's industrial consciousness has been quickened; they are realizing, slowly it is true, but with deep conviction, their potentialities and their power; they

[10] *Monthly Labor Review*, January, 1920, pp. 208-217.

are organizing to an extent undreamed of before, and they have the opportunity, little used at present but lying to their hands, of using their large numbers and their great powers for extending the outlook and improving the circumstances both of their sex and of the race."[11] The conclusion is inescapable that the time will soon come when women will demand a wage corresponding to their abilities, efforts, and necessities.

Equal Pay for Equal Work.—Women usually receive less wages than men even when the tasks performed and the output are the same. Dr. Royal Meeker, while United States Commissioner of Labor Statistics, pointed out that women often outdo men in quantity and quality of output, while their wages remain lower than the wages paid to men. Employers defend this principle on the ground that the work done by women is not the same as that done by men, although in many instances it has been impossible to detect these alleged differences. A recent report from the state of Nebraska may be taken as typical of the prevailing situation. It was found that men were receiving 66 per cent higher wages than women, although the work performed was often identical. The average yearly wage for men was $793.66, while for women it was $560.56. The statement of the Department of Labor suggests the injustice of the discrimination. "The discrepancy between the amount of wages paid men and women for the same work is more a matter of tradition than common sense. The real basis of compensation should be the value of services rendered rather than who rendered the service."[12] In New York it was found that in no case did a woman producing more than a man receive as much as a man doing the same work in the same plant. All of the women received less than the wage paid to men workers who were not so desirable, most of them receiving 75 per cent and many of them 50 per cent of men's wages. Moreover, it was discovered that women

[11] Ministry of Reconstruction (British) Report of the Women's Employment Committee, p. 40.

[12] Department of Labor, *Sixteenth Biennial Report*, 1917-1918, p. 81.

producing less than men were penalized in earnings to no greater extent than women producing more than men. "It makes little difference whether a woman produces more or less than a man. The wage rate received does not vary with her production. . . . In a foundry where women are used as inspectors they handle twice as many pieces as men, but receive $4.59 a week less." [13]

In recent years there has been much agitation for "equal pay for equal work without discrimination as to sex." Governmental agencies in England and the United States during the war adopted the principle of equal pay for equal work where women filled positions formerly occupied by men. Such a guaranty was necessary in order to prevent the employment of women as a subterfuge to obtain cheap and exploitable labor, thus affording the unscrupulous employer an unfair advantage over his more honest and generous competitors. Organized male workers have recently demanded the application of the same principle. There has been considerable discussion regarding the meaning of the slogan "equal pay for equal work," and until some definite interpretation is agreed upon the application of the principle will be difficult. To some people it means an occupational rate, or equality of pay on the time basis, while to others it is essentially equal compensation in the sense that pay should be in proportion to efficient output. There are many reasons why the time basis would prove unsatisfactory because of the fundamental differences between men and women workers. The employer would find it difficult to employ women rather than men if such a basis of compensation were adopted, and as a consequence many women would be unable to find work. It is generally recognized that the employment of women imposes expense burdens upon the employer which are not incident to the same degree in the employment of men. The legal requirements of rest rooms, lavatories, seats, and other accommodations do not generally obtain in the employment of men. Lost

[13] New York Industrial Commission, *The Industrial Replacement of Men by Women*, 1919, pp. 28-30.

time through illness and domestic causes is proportionately greater among women than men, and industrial experience seems to indicate that the cost of supervision is greater in the case of women. Then, too, there are legal restrictions such as the prohibition of night work for women and the limitation of the working-day which are not so generally applicable to male workers. Lack of physical strength and industrial training may tend to make a difference in the productivity of men and women which would not be recognized on the time basis.

On the other hand there are certain objections raised against the application of the principle of equal pay in proportion to output. The opponents of this principle claim that it gives employers a dangerous power of control over wages, since (1) collective bargaining would be abolished and (2) women would have no standard rates, various employers evaluating their output differently. It may be pointed out further that men, both under union and nonunion conditions, are more frequently paid the same rate for the same occupation regardless of individual differences in efficiency and output. It cannot be gainsaid, however, that, for reasons suggested in the preceding paragraph, the differences in productivity between men and women employees in the same occupation are much greater than the differences between men. Whatever method of measurement may be accepted, justice demands that whenever women perform the same tasks with equal efficiency as men the principle of equal compensation should be applied.

The Efficiency of Women Workers.—The idea has prevailed that women workers are neither actually nor potentially so efficient as men in operations requiring a high degree of technical skill, but this contention has rarely been supported by specific evidence. Only in recent years has there been a general attempt to gather statistical evidence of the relative efficiency of the two sexes, and even now the conclusions are so conflicting that dogmatic assertions are unwarranted. It is necessary to keep in mind the fact that there are obvious difficulties

in measuring the relative productivity of men and women. In industry there are trades and occupations which are distinctly the province of women, and others which are exclusively men's, while in many lines of endeavor both male and female labor can be employed more or less interchangeably. But even where women and men are engaged in the same industry there are processes performed only by women and others by men only. Many studies of the efficiency of industrial women were made during the period of the World War, so there may be some question of the applicability of conclusions to normal conditions of production, when the incentives to speed and efficiency are less urgent. Yet, there is every reason to believe that under normal conditions and with equal preparation their productivity will compare favorably with that of men workers.

Recent industrial experiences of France, Great Britain, and the United States indicate that there are many industrial occupations in which women display greater efficiency than men, while in others their productivity is far less. According to British experience, women appeared to excel in delicate and refined manipulation, and to tolerate better than men the monotony of repetitious tasks. In some trades women showed a tendency to carelessness, inaccuracy, and haste, and they did not take so good care of their machines as men, but these deficiencies were attributed more to the lack of industrial training and experience than to any natural inferiority. In trades such as cotton weaving, in which women have had years of experience, waste and carelessness were found to be infinitesimal. On long night shifts women showed a tendency to tire sooner than men, and in unskilled occupations where a task was beyond the limits of their physical strength they were at a marked disadvantage.[14] France found that women fell short in production, but were more attentive and often more skillful and zealous than men workers. On the other hand, women were more subject to fatigue, less regular in attendance,

[14] British War Cabinet Committee, *op. cit.*, p. 104.

and less capable of handling heavy tasks. In operating instruments of precision, electric machines, electric cranes, and mechanism requiring close attention and care, women excelled. Modification of apparatus, so as to limit the physical effort required, is necessary to increase the productivity of women in certain industries.[15]

In the United States women who have entered occupations preëmpted by men have often proved themselves equally efficient, in some instances showing even greater skill. In thirty out of about one hundred metal trades establishments, it was found that women's output exceeded men's in all operations; in fifteen their output was less; while in the remainder it was equal or greater in some operations and less in others.[16] An investigation of 533 concerns that had substituted women for men workers in the manufacture of metals, chemicals, rubber, woodwork, textiles, leather, electrical appliances, glass, airplanes, seaplanes, ships, and musical instruments showed that in 77.4 per cent of the firms women's work was as satisfactory or better than men's, while 22.6 per cent stated that the work of women employees was not so satisfactory. Women were particularly successful in their new occupations in the rubber, electrical, leather, and metal-working trades. The conclusions of the employers were to the effect that women were unprepared for skilled work, and that in order to make a successful substitution of women for men it was essential to provide definite training; that women possessed inferior physical strength and could not, therefore, be employed on certain jobs; that when the work was very rough and dirty, as in lumbering and saw-mill work, women did not succeed so well; and that when an efficient woman was found she made an exceptionally fine crane operator, being a better judge of distance, quicker, and more careful of the lives of fellow employees.[17]

[15] *Monthly Labor Review*, August, 1920, pp. 102, *et seq.*
[16] *Monthly Labor Review*, October, 1918, p. 192.
[17] See, *The New Position of Women in American Industry*, United States Women's Bureau, Bulletin No. 12, 1920.

Concerning the industrial efficiency of women, then, several conclusions may be drawn. (1) On account of physiological conditions, women tend to be less regular in employment than men, and this fact probably will make them permanently less productive than men. (2) There are tasks requiring a great amount of physical strength which women cannot perform. (3) In occupations requiring close attention and delicate handling women are more efficient than men. (4) The chief reasons why women have been less efficient than men in the same trade and at the same tasks is their lack of industrial training and experience. When equally trained and experienced, women are generally as efficient as men in positions not beyond the limits of their physical powers.

Women's Industrial Training.—Women's industrial training has been limited and of poor quality, being nothing but a disguise for the employment of cheap labor. The reasons for this are found in the prejudice of the employer and male employees, and the traditional aversion of society to industrial training for women. Technical dexterity can be attained by women to a degree not inferior to that of men; what is really lacking is the opportunity to acquire such skill. The general industrial capacity and, consequently, the compensation of women will rise proportionately as the girl is given an equal opportunity with the boy to prepare for industry, commerce, and business. For example, in Fort Worth, Texas, in an investigation covering about one-half of the women wage-earners in the principal industrial, commercial, and mercantile establishments, the majority of whom were over 21 years of age, 94.8 per cent of the women and girl wage-earners in commerce and industry had not completed the high school course, and 49.8 per cent had not gone beyond the eighth grade. The average wage scale increased according to the amount of education, the most striking increase in wages shown, $3.41 a week, being among those who had some college education. This was an increase of 17.6 per cent over the average wage scale of those who left school after finishing the high school

course. The increase in salary of those who had completed the high school course over those who had completed the third grade was found to be $11.13, or practically 100 per cent, while those who had received some college education were receiving $12.47, or 110.8 per cent a week more than the third graders.[18] In the garment trades there was little connection between education and wages, but the general results of the survey showed that the values of education for women workers comprise increased earnings, a higher standard of efficiency, and greater social and economic usefulness. The potential industrial capacity of woman is receiving greater recognition, and more adequate provision is being made for her professional, industrial, and commercial training. Old prejudices are vanishing rapidly because woman's aptitude for industrial training has been proved in the most advanced industrial nations.

The Problem of Hours.—At a very early date in England and in the United States excessive hours of labor for women constituted a serious problem, and public interest was aroused to a marked extent. Recognition of this problem has usually been the result of an established relation between hours of work and health, particularly as these affect the future of the race. Little cognizance was taken of the industrial position of woman and her right to fair treatment as a human factor in production. At the present time, however, there is a distinct tendency to approach the problem also from the standpoint of the requirements of leisure, cultural opportunity, and social development, which are rightfully claimed by women in a progressive community. The problem of hours for women workers is not one concerning merely the length of the basic workday, but the relation of the time spent in industry to every phase of woman's life, and this includes the question of fatigue and efficiency as well as the things already mentioned. "Long hours in the factory are not as serious for the man, who is through work when he leaves his job

[18] Mimeographed report issued by the woman's division of the Texas Bureau of Labor Statistics.

at night, as they are for the woman who often has several hours of housework to do after she gets home." It would avail little from the standpoint of the worker or society to have an adequate wage scale for women, if protracted and excessive hours of employment were to continue. The British reconstruction committee investigating women in industry concluded that unless increased purchasing power in such material things as food and clothing is correlated with an amount of leisure giving opportunity for improved education, wholesome recreation, family life, time for study, and exercise of the duties of citizenship, the reconsideration of women's industrial position will not have advanced far.

The ideal of the 8-hour day and the 48-hour week for women workers has not yet been generally attained in the United States or in other countries. Of 12,300 women employed in 110 establishments investigated recently (1918) in Indiana, 30 per cent had a working-day of 10 hours or over, not including overtime. Reports of overtime were made for 53 establishments employing 8,331 women and of these, 13 had a working week of 65 hours or more. Specific instances of overtime legally possible in that state showed women working as long as 65 hours a week in a clothing factory, 73 hours in one cannery and 84 in another, 75 hours in a 7-day week in a shop manufacturing caskets, and 88 hours and 40 minutes in an establishment manufacturing automobile parts.[19] In 168 restaurants investigated by the Minnesota State Department of Labor during 1919–1920, it was found that most of the women worked more than 58 hours a week. Ninety-five of these workers were on duty from 80 to 85 hours a week, and a few worked more than 100 hours. It was a common thing for women to be on duty from 10 to 12 hours a day, and in not a few cases 15 to 16 hours a day.[20] An industrial survey in Virginia

[19] U. S. Women in Industry Service, *Report on Labor Laws for Women in Indiana*, 1918. Bulletin No. 2.

[20] Seventh Biennial Report of the Department of Labor and Industries.

in the latter part of 1919 showed that of 18,781 women employees in 146 establishments, over 46 per cent were working 10 hours or more a day, and over 40 per cent were working more than 54 hours a week. More than 3 per cent worked at night.[21] Examples of women working excessive hours, often in defiance of law, could be multiplied almost indefinitely. While the legal 8-hour day has been introduced in several states, the 9-hour and the 10-hour day with a 54- to 60-hour week generally prevail in the United States.

Excessive hours of labor, night work, and overtime are peculiarly injurious to women workers. Numerous studies in Great Britain and the United States have discovered a definite relation between hours of work, night work, and overtime on the one hand, and industrial efficiency and output and health on the other. Fatigue, it will be remembered, "is the sum of the results of activity which show themselves in a diminished capacity for doing work," and is measured by decreased output. Permanent physical and mental injury may result from fatigue, thus affecting adversely the worker's future industrial career. Proper adaptation of the job to the worker is the method of escape, and this means proper adjustment of hours, physical conditions of employment, and the requirements upon the physical and mental powers of the employee. Long hours increase fatigue and diminish output. This fact has been demonstrated by numerous experiments in this and other countries. Evidence from the Illinois Industrial Survey of 1918 presents findings similar to those of the British Munitions Workers' Committee, and of Miss Josephine Goldmark in her "Fatigue and Efficiency." The Illinois commission submitted a study of three firms in the garment, soap, and corset industries respectively, where a reduction of hours had been made without changing any other conditions affecting production. The results of the experiments are included in the following table:

[21] *Monthly Labor Review*, August, 1920, pp. 99, 100.

	Length of Period Studied	Decrease in Hours of Work	Increase in Total Output Per Cent	Increase in Hourly Output Per Cent
Shop A	4 years	54 to 48	About 2.	7.
" B	9 months	55 to 48	3.97	11.8
" C	1½ years	54 to 48	13.4	31.5

In shops B and C the same group of workers was studied before and after the change in hours. In shop A the entire force of buttonhole makers was studied. Under the 54-hour week the production of two groups of experienced workers was 1,395 buttonholes, while under the 48-hour week it was 1,428. In factory B in which the work consisted of wrapping and packing soap, the average number of cases wrapped and packed per day under the 55-hour week was 42.8, while under the 48-hour week the average was 45.5. In factory C, in which corsets were made, the weekly output, as determined by the wages paid, increased 13.4 per cent and the hourly output 31.6 per cent. This increase in production was maintained for over a year. The testimony of the British Munition Workers' Committee was that "speaking generally, the . . . data show that a reduction in weekly hours of actual work varying from 7 to 20 hours per week, in no case resulted in more than an insignificant reduction of total output, while on the average it produced a substantial increase." In order to secure maximum economic return to both employers and employees there must be not only freedom from illness which reduces the workers' efficiency, but there must be no undue amount of fatigue resulting from the day's labor, for fatigue weakens resistance to more serious ills, lessens accuracy and speed, diminishes output, and increases accidents. For the social and economic well-being of the workers, hours of labor must not be too long to preclude recovery from fatigue by rest from work and by sleep.[22] No truth has been demon-

[22] Illinois Industrial Survey, *Hours and Health of Women Workers*, 1919, pp. 8, 9.

strated more ably than the one that excessive hours of labor are socially and economically unsound.

Labor Turnover and Unemployment Among Women.—Statistical evidence of labor turnover—the shift in personnel—is very meager, but such as is available seems to indicate that women are more stable than men. Employers who have observed closely the relative infrequency of turnover among women have concluded that this advantage is counterbalanced somewhat by the fact that the stay of so many women in industry is comparatively short. The fact that women do not change jobs on the least provocation may be accounted for by their lack of industrial training which limits types of jobs they are able to fill, and by their comparatively weak organization and their inexperience in locating new work. There is, moreover, a moral limitation on the freedom of women to move from one locality to another. It should not be understood that women remain on the job in spite of intolerable conditions. An investigation of 4,711 women workers in representative industries of Illinois, in 1918, showed that the proportion of workers remaining in a given position a year or over decreased directly as hours increased, and the number who had spent under six months at their work increased with the increase in hours. This fact is significant because every change in the working force means a financial loss to the employer. Labor turnover increases with the growth of dissatisfaction in the plant, and dissatisfaction grows out of undesirable wages, hours, and conditions of employment. The Illinois survey showed that there is a definite relation between hours of work and the attitude of the worker toward her work. Of those working under 43 hours a week less than one-fifth had complaints to make concerning their conditions, while over one-half of those working 61 hours and over registered many complaints.[23] Accumulation of such grievances increases materially the number of workers who leave the service of the company.

Nothing dampens the hopes and aspirations of modern

[23] The Illinois Industrial Survey, *op. cit.*, pp. 51-64.

women wage-earners more than does the constant fear of economic insecurity which results from periodic unemployment. Great as is the evil of low wages, it is not so depressing as the failure to find and to hold employment, for to every worker half a loaf is better than none. The greatest deficiency of modern industrialism is its failure to provide steady employment for the great mass of industrial workers. From the standpoint of regularity of employment wage-earning women are particularly unfortunate in their occupations, and the effects of unemployment upon them are likely to be very serious. The seasonal trades, such as sewing, garment making, canning, millinery, artificial flower making, feather making, paper box making, and the confectionery industry employ large numbers of women. Estimates for Paris show that only one-fourth of the artificial flower makers are employed all the year, and 65 per cent do not work at all from one to seven months of the year. In New York a typical artificial flower shop employing 5,000 workers in a period of business activity reduces its force to 1,000 during the dull season. Twenty-five employers in the paper box industry in Philadelphia stated that one-fourth of their entire force of girls is dismissed after Christmas.[24] In the candy making industry, which is highly seasonal, 60 out of every 100 employees are women. The earnings of these workers, like those of all seasonal trades, are very low partly because of the loss of time caused by seasonal fluctuations in production.

An investigation by the United States Bureau of Labor Statistics disclosed the fact that unemployment, on account of its chronic recurrence, has particularly serious consequences in the women's garment industries. In these trades the workers find their means of livelihood interrupted periodically through no fault of their own. In the dress and waist industry and the cloak, suit, and skirt industry of New York City, only one-half of the number of workers employed during the busiest seasons of the year were found employed in the respective industries

[24] See Frances A. Kellor, *Out of Work*, Chap. II.

during the dull seasons. The amount of employment in the cloak, suit, and skirt industry of New York during one of the dullest weeks of the year was only 43 per cent of the average week, and slightly over one-fourth of the busiest week in the year. In the cloak and suit industry of Chicago, the pay-rolls during the dullest week were less than one-half those of the average week and only one-third of the amount paid out during the busy season. Similar fluctuations were found in other branches of the women's garment industry. The chief cause of these fluctuations is said to lie in the whim of the ultimate consumer and the fickleness of style. "In spite of tremendous advances made in late years in the women's garment industries in matters relating to conditions of work, elimination of excessive overtime, shortening of the regular hours of labor, and raising rates of weekly earnings, the matter of unemployment at the present time seems to be more acute than ever. Somehow or other, in spite of all the advances made and reforms introduced, the cardinal problem—the matter of more steady employment—still remains unsolved."[25]

The ill effects of uncertain and irregular employment upon women can scarcely be measured. Periods of feverish overwork alternating with underemployment or unemployment have far more serious consequences for women than for men. Under such conditions the health of women workers is undermined quickly, and with their sources of income partially or completely shut off the danger of moral degeneration is very real. The effects of these conditions upon the future well-being of the nation are not difficult to determine.

Married Women in Industry.—According to data gathered by the United States Census Bureau, the number of gainfully employed married women was 769,477 in 1900, and 1,890,626 in 1910, an increase of 123 per cent for the decade. One-tenth of all the married women in the United States were said to be at work outside the home in 1910, thus constituting about one-fourth of all

[25] U. S. Bureau of Labor Statistics, Bulletin 183, 1915, pp. 7-9.

adult working women in the country. The rising cost of living caused further increases in the years following 1915, while the depression that followed in the wake of the World War forced many married women to aid in the support of the family. A study of women wage-earners in Minnesota in 1919, showed that of 10,090 women who were or had been married 34.7 per cent were mothers, nearly one-half of them having two or more children. Foreign-born women more often had children and were more frequently found in the lower-paid wage groups. Of the 51,361 female workers included in the survey, one-fifth were married. A survey of women workers in Fort Worth, Texas, late in 1920, showed that of 3,353 women gainfully employed 27.7 per cent were married, while 8.3 per cent were widowed. Married women constituted 47.5 per cent of all the women employees in hotels and restaurants. In the same year a study of women workers in Milwaukee, Wisconsin, showed that of 1,187 for whom marital status was ascertained, fully 86 per cent were married.

Although statistical evidence is not available, it is likely that at the present time 2,500,000, or about one-fourth of the gainfully employed women workers in the United States, are either married or widowed. In England and Wales in 1911, over 14 per cent of the total of occupied women were married and 8.5 per cent were widowed. Out of a total of 1,900,000 in the main industries in which women were employed in that year, fully 300,000 were married and nearly 100,000 were widowed. The increase in married women in industry during the war was said to be excessive. Census figures underestimate the number of married women gainfully employed because many women employed intermittently do not enter themselves as wage-earners, and even when they enter industry more or less permanently they conceal their conjugal relation, fearing that such a fact will militate to their disadvantage. Large numbers of married women work in seasonal industries, such as agriculture and canning, and form a considerable portion of the industrial

homeworkers, yet do not give their status as that of wage-earners.

Married women who enter industry may be classified into three groups, depending upon the conditions that account for their employment: (1) those who must seek employment outside the home because they are the chief support of their families; (2) those who enter industry from preference, not impelled by the pressure of economic circumstances; and (3) those who are intermediate between these two groups, whose employment is more or less irregular and whose entrance into industry is determined by the variable factors of economic conditions in a given trade, locality or in the country as a whole. The first group includes the wives of men who, on account of physical, mental, or moral incapacity, cannot earn wages. In this group may be included also widows and unmarried mothers with dependent children. Such persons must either choose gainful employment or fall back upon private or public charity. The second group comprises the wives of those who have fairly good incomes. Such women desire to improve their economic and social status, to become more or less independent of their husbands' earnings, or to escape what appears to them to be the monotony and inadequacy of domestic life. Sometimes, too, married women in this group enter outside occupations temporarily, in order to augment the husband's income, with a view to purchasing a home or for some other such purpose. The third group of married women workers consists of those whose husbands receive very inadequate wages, whose work is casual or irregular, or who are unemployed. "Irregular employment of men is not only an evil *per se,* but is a direct inducement of married women's work." The greater the economic insecurity of the husband, the greater is the tendency for the wife to become and remain a wage-earner.[26]

The employment of married women is increasing rapidly, especially among the negro and recent immigrant races in the United States. While all employment of

[26] British War Cabinet Committee, *op. cit.,* pp. 23, 24.

married women may not be injurious, there can be no doubt that when mothers have to assume the responsibilities of domestic duties and industrial employment, the physical and mental effects are serious. It is a primary duty of society to make unnecessary the industrial employment of mothers, either through the provision of mothers' pensions or through the legal guaranty of a living wage for male workers. So long as married women are employed, society must protect them from exploitation. "The married woman in industry, who is forced to work because of economic necessity, brought about by her husband's death, incapacity, or inability to earn an adequate wage for himself and his family, must usually take whatever job she can get, without too much question of wages or hours. But she is the one worker in all the group who most needs the protection of the law, for the care of her children and household will take many hours and much strength, and her health will suffer if hours of work are not limited." [27]

The Sweating System and Industrial Homework.—In 1888, a committee of the House of Lords in England reported that the sweating system may exist under any method of employment when "the conditions of the labor market afford abundant materials to supply an unscrupulous employer with workers helplessly dependent upon him." In this general sense sweating consists in taking advantage of the poorer and more helpless classes of workers. A report on the sweating system of Chicago, which was issued by the Bureau of Labor Statistics of Illinois, in 1892, defined sweating as the farming out, by competing manufacturers to competing contractors, of the material for garments, which in turn is distributed among competing men and women to be made up. The middleman or contractor is the sweater, though he himself may be subjected to pressure from above, and his employees are the sweated or oppressed. The sweater contracts to make up certain garments at a given price per

[27] U. S. Women's Bureau, *Health Problems of Women in Industry*, Bulletin 18, 1921, p. 5.

piece, and then hires other people to do the work at a less price. His profit lies in the difference between the two prices. The committee of the House of Lords already referred to described the sweater as follows: "In some cases the man known as the sweater is merely an agent, knowing nothing of the business. Sometimes he acts the part of a foreman, and directs the work of every branch, undertaking the whole business thoroughly. Sometimes he works as hard as any of his employees."

There are two principal methods of carrying on sweated industry: (1) The sweater may furnish shop room and machines to his employees, and (2) he may allow others, usually finishers, to take the work to their living and lodging rooms in the tenements. Under the second form the individuals may work in their own homes, and the employee force may consist entirely of the immediate family, or certain individuals outside the family may be employed to perform particular kinds of work. The sweating system flourishes where population is congested, as in our great American cities; where contract work is practicable; and where the methods of production do not involve a heavy investment in machinery. Under whatever form sweated industry is carried on, the resultant evils appear to be the same everywhere; namely, low wage scales, excessive hours of labor, speeded-up workers, unsanitary conditions of employment, and the employment of very young children and of women. Because of these evils, public attention has been directed to homework and other forms of sweating, partly on economic grounds to secure proper rates of compensation for such workers, and partly on hygienic or sanitary grounds in order that work may not be done under conditions that are inimical to the public health. The dangers to the health of the consuming public are obvious when one remembers that production under sweatshop methods takes place frequently in overcrowded tenement homes in which all kinds of contagious diseases develop because of the lack of sanitation. Even when the cutting of garments is done in "inside shops" of the manufacturer, finishing takes

place in the homes, and the goods are distributed to the public germ-laden and unclean.

The sweatshop system is not a new evil in industry. The Illinois report on sweating referred to already, points out that "the sweating system is one of respectable antiquity, and is a surviving remnant of the industrial system which preceded the factory system, when industry was conducted chiefly on the piece-price plan in small shops or the homes of the workers." The problem has commanded public attention in England for several centuries, while in the United States it was one of the evils ushered in with the factory system. In the early period work was given out by the manufacturers in the larger cities to be done in the homes and the small shops. Straw hat making was largely homework. A record of 1846 states that the best women workers could not earn more than 50 cents a day and the average was 25 cents, while the braid was generally made by children from six to twelve years of age.[28] The sweating system was encouraged in this country by the presence of immigrants even before the last quarter of the nineteenth century, but it was not until the latter period that the problem assumed such serious proportions as to arouse public opinion. In this as in many other economic evils, the new immigration was a responsible factor. With the coming of the Jews from Hungary, Germany, Austria, Russia, and Poland subsequent to 1880, the practice of sweating took on a new lease of life. Later, the Italians and other nationalities became victims of the system.

The sweatshop system has been most persistent in the clothing industry, although it has been introduced into other lines of manufacturing—cigar making, bakeries, laundries, artificial flower and feather making, paper box making, et cetera. The conditions that have conduced to sweating in the United States include: (1) an oversupply of cheap labor, made possible by the constant influx of immigrants who are unable to speak English and who, because of financial destitution, must accept

[28] Edith Abbott, *Women in Industry*, pp. 74, 75.

employment regardless of the conditions that prevail; and (2) the advantageous position of the small shop in certain industries. The contractor lives in the neighborhood of the immigrants, is familiar with their languages, and is able to secure them in times of business activity. Because of this intimate contact, the manufacturers, instead of employing foremen to supervise production in their own establishments, give their work to contractors who distribute it among the poor, chiefly women and children, in the tenements. The supremacy of the small shop is accounted for by the fact that in it are found the worst conditions of labor—pitiably low wages, excessive hours of labor, and oppressive methods of compensation. Where the industry is highly seasonal heavy investment in fixed capital is frequently uneconomical, since it must lie idle much of the year. This encourages the manufacturer to shift the burden to the contractor, who finds the homes of the poor or the small shop more economical than the large factory. Little capital is required by such contractors, and competition is often very keen, resulting in the reduction of the price paid by manufacturers to them for their work and in the wages paid to their victims. Homework is favored by contractors because: (1) It is difficult to regulate legally conditions within the home; (2) an abundant supply of cheap labor is made available; and (3) there are no overhead charges.

Where homework is done by the wives of wage-earners having a reasonable income, and merely for the purpose of getting pin-money, or where the work is carried on in large inside shops which are subject to regulation, the evils of the sweating system are not so serious. The remuneration of homeworkers and small shop workers, however, has sometimes reached a level which has shocked an intelligent public opinion. An abundant supply of labor is not the only cause of low wages; lack of training and irregular methods of work have been equally responsible. Piece-rates paid to industrial homeworkers and others employed under the sweatshop system are always inadequate. The conditions of employment are often described as brutal,

in no degree conforming to the normal requirements of decency and comfort which should obtain among the workers in an enlightened nation. The persistence of such conditions may be attributed to the practical impossibility of organizing employees in the sweated trades, especially those engaged in industrial homework. The difficulties of organizing homeworkers are well-known, and in the past trade-union propaganda among these workers has met with little success. Attempts have been made to bring such workers within labor organizations, because the homeworkers and factory workers are often in competition, thus depressing the remuneration of the latter to a level approaching that of the former. In the United States the influx of immigrants who do not speak English, and the isolation of industrial homeworkers have been barriers to trade unionism.

The clothing industry in the United States presents typical methods of sweating, particularly as to homework. There are two kinds of such work; namely, (1) the making of custom tailored garments in small shops, and (2) finishing garments for contract shops, the work being done chiefly by women. The clothing industry is in the hands of three groups of manufacturers—wholesale clothiers, tailors-to-the-trade in special order houses, and custom or merchant tailors. A study of women workers in factories of Cincinnati, made by the Consumers' League of Cincinnati, reveals something of the nature and present method of the sweating system. Seventy-two contract shops and 108 custom tailor shops were included in the investigation. The larger contract shops were inspected regularly by the factory inspectors, but the smaller contract shops and the majority of the tailor shops were under no supervision. Twenty of the city contract shops admitted that they used home finishers, while in 15 shops of one rural community every proprietor had a number of home finishers, and it was stated by some that "nearly every woman in town does homework." Very few of the employers knew where the homes of the finishers were. A large number of the employees were dependent

women and children, although many women and children were forced to supplement the husband's income. In every instance work was done in the living room, which was usually the dining room and kitchen combined, and which in some cases was also the bedroom. Varying degrees of comfort and cleanliness were found in these homes.

The rates of pay varied with the individual contractors, but were lower than those prevailing in the factories for the same kind of work. One woman, a coat finisher, was paid 9 cents a coat and earned from 50 cents to $1.70 a week, depending upon the amount of work she could get. It took one hour to finish a coat, and the finishing was paid for according to style and kind of work done, some receiving as little as 30 cents a dozen and some as high as $1.44 a dozen. Pants finishers were paid according to the amount of work required, the pay ranging from 4 cents to 25 cents a pair. One pants finisher stated that she and her mother working without interruption could earn $1.25 a day. The largest earnings reported by a finisher were those of a vest maker who received 15 cents an hour and in busy seasons worked nine hours a day.[29]

A study of industrial homework in Milwaukee showed that on July 1, 1920, the number of homeworkers was 2,907, all females with one or two exceptions. The largest proportion of these workers, 2,514, or 86.5 per cent, were connected with the textile industries, and of this number 1,722, or 59.3 per cent, were workers on hand and machine-knit goods. About 10 per cent were employed by the paper-goods industry and nearly 3 per cent by the leather-goods manufacturers. Of 142 assistants to homeworkers, 51 per cent were under 16 years of age; in the textile industry 42 per cent were under 16. Of 603 workers for whom data were gathered, 18 per cent received under 10 cents an hour; 54 per cent received 10 to 20 cents; 23 per cent, 20 to 30 cents; and 7 per cent, over 30 cents.

[29] Annette Mann, *Women Workers in Factories*, Publication of the Consumers' League of Cincinnati, 1918, pp. 34-39.

Of the more than 600 workers studied, 22 per cent received less than $10 per month; 47 per cent, from $10 to $20; 20 per cent, from $20 to $30; 5 per cent, from $30 to $40; and 6 per cent, over $40.[30]

The actual amount of homework in the clothing industry in the United States is not known definitely, but there is every reason to believe that it is considerable. The chief cause for its existence is its benefit to employers, who save overhead expenses and get their work done at a lower rate than obtains in the factory, which is under more or less strict regulation and in which the workers are often well organized. The consumer gains nothing by the reduced cost of production. He pays the market price and runs the risk of contracting disease by purchasing clothing made in all sorts of homes. Custom tailored garments, although higher priced, are in many cases made under similar conditions in home tailor shops. From evidence secured in the Cincinnati investigation, there are very sound arguments for abolishing every form of homework, since: (1) Clothing sent out to homes is often made or finished under unsanitary conditions—bad lighting, poor ventilation, and filth; (2) the danger to the public health is immeasurable, because disease is spread by garments sent to homes which are under no legal supervision; and (3) the low wages paid to homeworkers tends to reduce the wages in factories and thus to lower the standard of living for both kinds of workers. Even where inspection of homework is provided it is extremely difficult to carry it out effectively.

Why are the wages of homeworkers so low when the employer does not have to furnish premises, heat, or light? Such a discrepancy cannot be explained by the much-abused "cost of production" argument. Primarily, it is a case of pure exploitation of those who are economically weak. Unscrupulous manufacturers do not always hesitate to crush their fellows under a condition of unequal bargaining power. But the sweater's position is not free from difficulties, since his cost of production may be high.

[30] *Monthly Labor Review*, April, 1921, pp. 69, 70.

(1) The cost of distributing work among homeworkers is often a considerable amount. When the workers live in the congested cities this cost is not so great; it is heaviest when the workers dwell in rural districts, and the work is distributed and collected by agents. (2) The distribution of work in small lots, even in the congested city tenements, the absence of control over its execution and uncertainty as regards its punctual return are disadvantages which may involve a monetary outlay that will counterbalance the overhead charges incidental to factory work. For the convenience of working at home, however, many homeworkers will accept less pay than they could actually command by entering the factory, so that the factory worker and the homeworker may offer the same services at different rates of remuneration.[31] Low wage standards for homeworkers more than compensate for the relatively high cost of distributing cloth and collecting finished garments.

While the practice of sweating will continue to exist, for some time at least, there is every indication that a decline has set in. This is particularly true of homework, which certain forces and tendencies in modern economic life are making obsolete. "The system by which work is given out to be done off the employer's premises and beyond his direct supervision is opposed to the centralizing and standardizing tendencies of modern industry, and employers protest in increasing numbers that they cannot be bothered with it." Far more important than these economic forces, however, has been the influence of legislation and consumers' organizations which, in Australasia, Great Britain, and the United States, have discouraged the sweating system. The legal minimum wage practically means death to sweating. Education and publicity are effective correctives. In the United States public opinion against sweating has been crystallized through the National Consumers' League which approves, by means of its "White List," mercantile establishments that are fair to their workers and maintain desirable conditions of

[31] British Ministry of Reconstruction, *op. cit.*, p. 64.

employment, and, by means of the "Consumers' League Label," approves the products of manufacturing establishments operated in accordance with the principles of (1) obedience to the factory laws, (2) all goods manufactured on the premises of the employer, (3) no overtime, and (4) no children under 16 years of age employed. The Women's Bureau of the United States Department of Labor is doing an excellent work along the line of investigation and recommendation of standards of employment. The union label is also used widely to discourage the consumption of sweatshop products and to stimulate consumption of commodities produced in union shops. Education of immigrant children and Americanization of adult immigrants will destroy the present separation of foreigners from America's cherished institutions and standards, and will do much to abolish sweating. Regularization of production will tend to eliminate the evils of sweating, and the growth of large-scale industries will do much to eliminate the small shop and stabilize the labor market.

A final aid to the emancipation of the workers from sweatshop conditions is the spread of organization. The garment workers in the United States have achieved a remarkable degree of efficiency in organization and collective bargaining, and the chainworkers in England have commenced to form unions, which suggests that in the future the sweated workers may be less helpless than they have been in the past. Legal regulation of homework and the small shop has been opposed on the grounds that it is an arbitrary exercise of power, and constitutes an oppressive measure. Increasing recognition of the paramount interests of society, however, has led to wiser and more progressive counsels. The fact that such a system of employment tends inevitably to depress the wages of better-organized workers, to lower the standard of living, and is carried on under conditions that are dangerous to the public health, is sufficient justification for legislative control.

Standards of Employment.—The foregoing discussion

of the various aspects of the problems incident to the employment of women in industry suggests the necessity for the formulation of desired standards of work. Certain standards have been set forth in Great Britain and the United States which, when applied, will improve materially the conditions of employment for women workers. Certain conditions are prescribed concerning hours of labor, wages, physical conditions of employment, homework, and so forth.[32]

1. *Hours of Labor.*—For reasons already suggested, no woman should be permitted to work more than eight hours in any one day or forty-eight hours in any one week. Moreover, the time when the work of women employees shall begin and end, and the time allowed for meals should be posted in a conspicuous place in each workroom, and a record kept of the overtime of each woman worker. Overtime should be restricted, if not abolished. Requirements concerning hours should include also the observance of a half-holiday on Saturday, one day of rest in seven, at least three-quarters of an hour for meal-time, a rest period of at least ten minutes in the middle of each working period without adding to the length of the working-day, and the prohibition of all employment of women between the hours of 10 p. m. and 6 a. m.

2. *Wages.*—Whenever women perform the same tasks as men with equal productivity, the principle of equal pay for equal work should be applied. Difference in wage rates should be based upon the difference in output and not set arbitrarily as a result of the inefficient bargaining power of women employees. At all times wages should be established on the basis of occupation and not on the basis of sex, and the minimum scale of wages should cover the cost of living for dependents and not merely for the individual.

3. *Working Conditions.*—There should be adequate provisions for comfort and sanitation, as well as pro-

[32] See First Annual Report of the Director of Women in Industry Service, U. S. Department of Labor, 1919, and the reports of British committees already cited.

tection of the moral life of the workers. This requires proper washing and toilet facilities, rest rooms, ventilation, lighting, and heat, and provision for lunch outside the workroom. Moreover, there must be safeguards against continuous standing and continuous sitting, dangerous machinery, fire, and exposure to dust and fumes. The health of women workers, as we have seen, is endangered by constant standing or other posture causing physical strain, repeated lifting of heavy weights, operation of mechanical devices requiring undue strength and constant attention, exposure to excessive heat or cold, and exposure to various occupational poisons.

4. *Homework.*—No work should be allowed in rooms used for living and sleeping purposes, or in rooms connected directly with living or sleeping rooms in any dwelling or tenement. Such work makes easy the exploitation of women and children and is dangerous to the public health.

5. *Regularity of Employment.*—Every effort must be made by employers and the state to regularize production in industries employing women. The trades into which women have entered in large numbers have been highly seasonal, and much distress has resulted from periodical unemployment. Economic, moral, and social considerations demand that women be given greater economic security.

6. *Collective Bargaining.*—Protective legislation will continue to safeguard the interests of women workers, but this should not preclude the introduction of a greater measure of control over conditions of employment through organization and collective bargaining. Such a measure is the soundest foundation of industrial democracy and the surest protection against exploitation.[33]

Conclusions.—Women have become a permanent part of the working forces in modern industry, and the number of occupations open to them is increasing. Their condition in industry may be improved by: (1) the voluntary action of the employer, (2) the interference of the

[33] U. S. Women's Bureau, *Standards for the Employment of Women in Industry*, 1921, Bulletin No. 3.

state, and (3) unionization and collective bargaining on the part of the women themselves. It is hardly practicable to depend upon the voluntary action of the employer, since honest and scrupulous employers would suffer on account of the backwardness and selfishness of unscrupulous ones. While the interference of the state has done and will continue to do much, there has been considerable opposition to such legal action, and the enforcement of protective laws frequently is lax. It becomes necessary, therefore, to supplement voluntary action of employers and legal action of the state with effective organization of the women themselves. The increasing political influence of women doubtless will do much to secure not only greater industrial opportunity but also a larger measure of industrial justice. A voice for women in the determination of the conditions of employment is economically sound and socially desirable.

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CHAPTER X

HUMAN WASTE IN INDUSTRY

The Human Factor in Production.—During the nineteenth century industrial development proceeded so rapidly in Europe and America that the necessity and importance of protecting and conserving the human element in production were scarcely recognized by employers. Economy in the application of capital, replacement of worn-out machinery, and conservation of natural resources received careful consideration. The waste of human life, the accumulation of fatigue, and destruction of health in industry received no such attention, and only in recent years, often under the compulsion of law, have the buyers and users of human labor recognized with any degree of intelligence the relation that obtains between health and efficiency.

Employers are beginning to take an interest in preventive medicine, personal and social hygiene, factory sanitation and safety, emergency surgery and first-aid, laboratory tests and hospital care, dental prophylaxis, mental hygiene, and other protective measures, because they are convinced that a definite relation exists between the health of the workers and efficiency in production. Insistent demand for increased output, reduction of labor turnover, and a stabilized employee force is resulting in increasing protection of the workers. Careful husbanding of human resources in industry, however, is likely to characterize periods of industrial prosperity when labor is scarce and to decline in periods of industrial depression when labor is abundant. Society, therefore, cannot leave entirely to the employers the important business of safeguarding the workers in industry. Industrial accidents

and occupational diseases are social problems and not matters of private concern only. In the wake of modern industrialism accidents and death have followed, exacting from the wage-earning classes enormous toll in human misery. Protection of the nation's workers is the foundation of economic efficiency and social progress. There is no more serious phase of the labor problem than the wastes of human health and life incident to the production of wealth. In describing this problem the late John Mitchell stated: "While the bread of the laborer is earned in the sweat of his brow, it is eaten in the peril of his life. Whether he works upon the sea, upon the earth, or in the mines underneath the earth, the laborer constantly faces imminent death; and his danger increases with the progress of the age. With each new invention the number of killed and injured rises. . . . Many are killed without violence; thousands of wage-earners lose their lives in factories, mills, and mines, without the inquest of a coroner. The slow death that comes from working in a vitiated atmosphere, from laboring incessantly in constrained and unnatural postures, from constant contact of the hands and lips with poisonous substances; lastly, the death which comes from prolonged exposure to inclement weather, from over-exertion and under-nutrition, swells beyond computation the unnumbered victims of restless progress."[1]

Extent of Industrial Accidents.—It is impossible to measure accurately the human waste in industry. In the United States accurate and complete statistics of industrial accidents and occupational diseases are not available, although, with the spread of compulsory workmen's compensation laws, an increasing volume of such information is becoming accessible. Many estimates have been made by those who have conducted special investigations. In 1908, Dr. Frederick L. Hoffman, statistician of the Prudential Life Insurance Company, estimated that the number of fatal and nonfatal injuries to workers would in-

[1] *Annals of the American Academy*, Vol. XXXVIII, No. 1, July, 1911, pp. 76, 77.

clude 30,000 to 35,000 deaths per annum, and 2,000,000 casualties of all kinds. Basing his data on insurance experience with about 38,000,000 lives, this same authority places the number of fatal industrial accidents for 1913 at 25,000, and the number of injuries involving disability of more than four weeks at 700,000.[2] This estimate is undoubtedly conservative. Approximately 15,000 persons in the United States are blind as a result of accidents in industry. The expense of supporting these blind persons for the remainder of their lives is estimated at $10,000,000, a burden which must fall largely on relatives or society.[3] Recent statistics show that approximately 80,000 deaths, an average of 222 per day, result from accidents of various kinds every year in the United States alone. In 1919, according to data prepared by the National Safety Council, more than 22,000 persons were killed and over 500,000 injured as a result of accidents in American industries. If complete information were available it would probably show that the accident rate for the whole of the United States is approximately 58,000 a month, or about 2,000 a day. Appalling as are the losses in war, they do not equal the sacrifices in industry of which the world takes little or no account. The distribution of industrial accidents is shown in the accompanying table.

Occupational Distribution of Accidents.—Some industries are more responsible for the volume of industrial accidents than others. Metal and coal mining are the most hazardous occupations, while railroading, quarrying, and lumbering appear among those which exact heavy tolls in suffering and life. Dr. Hoffman's estimates, given in the accompanying table, indicate that these industries are more hazardous than enlistment in the United States Army, and from two to three times as dangerous as the average for all occupations in which male workers are employed. It will be noted that metal mining has a fatality rate of 4.0 per 1,000, coal mining 3.5, while

[2] U. S. Bureau of Labor Statistics, Bulletin No. 157, pp. 5, 6.
[3] *Monthly Labor Review*, April, 1918, p. 296.

general manufacturing has only 0.25. Official investigations in more recent years show a tendency toward a lowered fatality rate in these industries. Out of about 153,000 accidents reported in Pennsylvania, in 1919, over 45,000 were in the metal and metal-product industry, and

ESTIMATE OF FATAL INDUSTRIAL ACCIDENTS IN THE UNITED STATES IN 1913, BY INDUSTRY GROUPS

Industry Group	Number of Employees *	Fatal Industrial Accidents *	Rate Per 1,000
Males			
Metal mining	170,000	680	4.00
Coal mining	750,000	2,625	3.50
Fisheries	150,000	450	3.00
Navigation	150,000	450	3.00
Railroad employees	1,750,000	4,200	2.40
Electricians (light and power)	68,000	153	2.25
Navy and Marine Corps	62,000	115	1.85
Quarrying	150,000	225	1.70
Lumber industry	531,000	797	1.50
Soldiers, United States Army	73,000	109	1.49
Building and Construction	1,500,000	1,875	1.25
Draymen, teamsters, etc	686,000	686	1.00
Street railway employees	320,000	320	1.00
Watchmen, policemen, firemen	200,000	150	.75
Telephone and telegraph (including linemen)	245,000	123	.50
Agricultural pursuits, including forestry and animal husbandry	12,000,000	4,200	.35
Manufacturing (general)	7,277,000	1,819	.25
All other occupied males	4,678,000	3,508	.75
All occupied males	30,760,000	22,515	.73
All occupied females	7,200,000	540	.075

* Partly estimated.

over 26,000 were in public service industries. Between 1907 and 1920 almost 36,000 men were killed in coal mining in the United States, an indication that the yearly toll exacted by this industry alone is about 2,571 human lives.[4] Of the approximately 10,000 persons killed on steam railroads in the United States every year, about

[4] U. S. Bureau of Mines, Technical Paper 288, 1921, p. 8.

one-third are employees, while employees constitute about 90 per cent of the more than 175,000 persons injured.[5]

The Causes of Industrial Accidents.—Industrial accidents divide themselves into "machinery accidents," or those which result from inadequate safeguards of machines in industry, and "nonmachinery accidents," or those which result from causes other than insufficient protection. Recent industrial experiences in the United Kingdom and in the United States have shown that the factors concerned in accident production are: (1) those of personal origin, such as nervous and muscular coördination in relation to speed of production, fatigue, psychical influence, nutrition, and alcohol consumption; and (2) those arising from external factors not directly under the control of the employees, such as lighting, temperature, humidity, ventilation, defects of machinery, and the absence of protective devices. In so far as accidents arise from the absence of proper safeguards, the causes may be eliminated by strict enforcement of factory laws which specify what protective appliances shall be installed. Frequently, however, there is a lack of standardization in these safeguards, and a good deal of controversy arises between state factory inspectors and the employers as to what may be considered dangerous machinery. Moreover, it is not an uncommon practice for employers to put forth the argument that safety devices of this sort add heavily to the expense of operation, and opposition to their application becomes a serious obstacle to the reduction of accidents. The employer is a responsible factor in the causation of industrial accidents in so far as he fails to make provision against them. The rapid development of machinery and machine processes often makes it difficult for the employer to take every necessary precaution for the safety of his employees. Sometimes, moreover, the employer is ignorant of or indifferent to the dangers that exist.

If complete information were available, one would probably find that the major portion of accidents in indus-

[5] Based upon figures for 1917 and 1918.

trial communities is caused not by the absence of adequate safeguards, but by negligence, carelessness, want of instruction, want of thought, and a proper appreciation of the dangers involved in the complex and intricate machine processes of modern industry. The workman himself, by his carelessness, may be responsible for a large percentage of accidents, or the negligence of his fellow workmen may be an equally responsible factor. Investigations in the United Kingdom during the war led to the conclusion that the majority of industrial accidents are unavoidable, and that "accidents depend in the main on carelessness and lack of attention of workers." While this conclusion does not agree with the results of impartial studies in the United States, it contains a very important element of truth. Inexperience is a prominent cause of human waste in industry, as is also the inability to speak English. "A coal miner's safety depends largely on his obeying the mine rules. In most coal-mining districts in the United States many miners and laborers are non-English speaking and lack experience in mining."[6] The following table, based upon data collected from 88 industrial plants in Illinois, shows the relation of inexperience to accidents.

ACCIDENTS AND LENGTH OF SERVICE[7]

Length of Service	Proportion of Accidents, 88 Firms. Per Cent	Proportion of Employees, Chicago. Per Cent	Proportion of Employees, Illinois. Per Cent
Under 6 months....	59.6	34.7	34.9
Six months and under one year...	14.1	12.2	7.4
One year and over..	26.3	53.1	57.7
	100.0	100.0	100.0

[6] U. S. Bureau of Mines, Miners' Circular No. 22, p. 9.
[7] Report of the Illinois Industrial Survey, *Hours and Health of Women Workers,* 1918, p. 102.

It will be noticed from these figures that employees of less than six months' experience, representing not more than 35 per cent of the working population in Illinois, accounted for 60 per cent of the total number of industrial accidents that occurred in 88 firms. In another study of workers' length of service as a causative factor in accidents, it was found that of 1,000 women workers injured 18 per cent had been with their employers less than a month; about 50 per cent, less than six months; and approximately 63 per cent, less than one year.[8] Not infrequently industrial workers take risks and expose themselves to dangers in a spirit of braggadocio. Especially is this true of southern and eastern Europeans who, unaccustomed to the hazards of industrial life, assume many unnecessary risks. There is a growing recognition of the influence of fatigue and speed of production upon accident frequency. The testimony of the British Health of Munition Workers' Committee was to the effect that "speed of production is an extremely important factor in their [accidents] causation, and often the most important factor of all, so any improvement of factory conditions which increases speed of production inevitably tends to a more than proportional increase of accidents." The same conclusion was reached regarding the influence of excessive fatigue. Muscular inaccuracy inevitably increases as fatigue, or exhaustion of energy-yielding material in the muscles, takes place.

The Cost Involved.—The direct and indirect cost of accidents cannot be expressed in monetary values, nor can it be measured even approximately in any quantitative terms. The sacrifice and the suffering experienced by the workers and their families as a result of the more than twenty thousand fatal and seven hundred thousand nonfatal accidents in American industry every year are beyond comprehension. The social and economic waste is enormous. In the United States in 1919, the loss in production on account of industrial accidents was estimated to be 296,000,000 work-days and approximately

[8] *Monthly Labor Review*, February, 1921, p. 149.

$853,000,000 in wages. The total direct cost of industrial accidents, including medical aid and insurance overhead, is estimated at not less than $1,016,000,000 annually. These figures do not take into account the expenses incurred by injured workingmen, which are not paid by the employer or insurance company; the overhead cost of personal accident insurance carried by the workmen themselves; the cost of training new men to take the place of those who are injured; and the cost of the activities of employment and welfare departments in keeping track of the injured employees and their families. The addition of these items of expense would probably increase the total to a figure far in excess of a billion dollars a year. Moreover, the sum would be greater still if cognizance were taken of the direct and indirect losses in production resulting from the slowing up or the stoppage of work when accidents occur.[9]

A mere glance at the experience of a few states with workmen's compensation suggests the financial burden of industrial accidents. More than 11,000,000 working-days were lost as a result of compensable accidents during the last five years in Wisconsin, and more than $10,000,000 were paid out in compensation and medical aid. In Pennsylvania in 1919, the total wage loss resulting from industrial accidents was almost $9,000,000, and the number of work-days lost was over 2,000,000. Even at the present inadequate rates of compensation, which in most states do not exceed 50 per cent of the wage loss, a total of $200,000,000 a year is paid out in compensation for accidents by the employers of the United States.[10]

Such statistics as these do not measure the economic and social losses that result from the temporary and permanent destruction of earning power of the wage-earning class and of the nation. The total annual financial loss would run into many more hundreds of millions of dollars. "Considered from this point of view the accident

[9] *Monthly Labor Review*, September, 1921, pp. 12, 13.

[10] Willard C. Fisher, "American Experience with Workmen's Compensation," *The American Economic Review*, Vol. X, No. 1, March, 1920, p. 25.

problem assumes serious and far-reaching social and economic importance in that on the one hand the loss of life constitutes a serious curtailment of the nation's productive efficiency, while on the other a heavy and costly economic burden results from the required support of those who, deprived of the earnings of the breadwinner, become a public charge."[11]

Occupational Diseases.—Industrial diseases have been defined as "morbid results of occupational activity traceable to specific causes of labor conditions, and followed by more or less extended incapacity for work."[12] The problem of occupational disease is no less serious than that of industrial accidents. Indeed, industrial diseases are likely to prove the more serious, since such diseases are not easily detected. The social importance of this problem is found in the relation of occupational diseases to industrial efficiency. Physical strength and vigor are the basis of productivity, and anything which impairs the health and vitality of the nation's wage-earners inevitably results in a diminution in national efficiency.

Occupational hazards to health comprise extremes of temperature and humidity; excessive strain of work; improper or inadequate lighting facilities; impure, compressed, or rarefied atmosphere; dangerous bacteria; and dangerous gases, acids, and dusts. Excessive hours of employment, especially during the night, tend to produce fatigue, irritation, and sickness. Excessive muscular strain, such as the lifting of heavy weights and prolonged standing may result in rupture or varicose veins. When workers toil in cramped positions healthy action of the lungs and heart is impossible, and when they work in ill-ventilated factories and mines disease frequently results and the workers' health, energy, and physical capacity are undermined. Polluted atmosphere is now recognized as one of the main causes of ill-health in industry. Extremes of temperature or humidity may be as detrimental

[11] Dr. Frederick L. Hoffman, Bulletin No. 157, U. S. Bureau of Labor Statistics, March, 1915, p. 17.

[12] "Memorial on Occupational Diseases," *American Labor Legislation Review*, Vol. I, January, 1911, pp. 125, 126.

as poor ventilation. The air, even if fresh, may be too hot or too cold, too humid or too dry, thus conducing to bodily discomfort and inefficient work.

Another important consideration is that of lighting. Imperfect or inadequate lighting has been found to be a factor of great significance in producing eyestrain, headaches, and inaccuracy. Moreover, employment in industries in which gases, vapors, poisons, and other irritating substances are present constantly, leads to direct poisoning of the workers. Dust produced in certain industries, without effective safeguards, may result in lung diseases. Dust as a cause of occupational disease is receiving increasing recognition. Constant irritation by dust particles inflames the lungs and weakens their power of resistance to the harmful bacteria which produce diseases of these organs. Finally, the manufacture and use of high explosives involve the handling of poisonous substances and thus constitute a continuous risk to the employees.[13]

As in the case of industrial accidents, certain trades or occupations are distinctly more unfavorable to health and longevity than others. Studies of mortality and morbidity indicate an intimate connection between illness and death on the one hand, and occupation on the other. Tuberculosis of the lungs has been found the most prevalent cause of death for all occupations combined, and the inhalation of metallic dust is regarded as the most serious health hazard in the causation of pulmonary tuberculosis and other respiratory diseases. The close relation between the use of lead in certain industries and the high proportion of mortality from lead poisoning is generally recognized. Lead poisoning is common in the printing trades, where the air is contaminated with lead dust. Lead and arsenic poisoning in the manufacture of paint is a common cause of serious illness. Metal mining, where the mines are extremely difficult to drain and

[13] U. S. Bureau of Labor Statistics, Bulletin No. 221, p. 62. Reprint of Memoranda of British Health of Munition Workers' Committee.

ventilate and where the dusts are composed of sharp, angular particles, often of a poisonous nature, exposes the miner's health and life to great dangers. In coal mining similar hazards obtain, especially from poisonous gases.

In the manufacture of pottery various groups of workers are exposed to insidious dangers to health. Mortality statistics of English potters reveal a startling death rate in this industry. Between the ages of twenty and thirty-five years the mortality of potters is lower than that of occupied and retired males generally, but for the ages forty-five to fifty-five the death rate of potters shows an excess of about 74 per cent, while between the ages of fifty-five and sixty-five the excess is 66 per cent.[14] Respiratory diseases are most prevalent among potters. In chemical industries numerous poisons undermine the health of the workers. It has been found that where lead poisoning is present, deaths frequently result from cerebral hemorrhage, apoplexy, and paralysis. Respiratory diseases are prominent where the industrial worker is exposed to colds, drafts, and dampness, or to violent changes in temperature. Heavy work produces organic diseases of the heart, and tuberculosis accounts for a high proportion of mortality where mineral, metallic, or vegetable dusts abound.

The industrial hazards to health in the case of dusts are clearly brought out by Dr. Frederick L. Hoffman. By the term "dusts" is meant all the fine particles of material which are thrown off substances in the process of manufacture. They include: (1) cutting dusts, sharp crystallized particles such as iron, stone, sand, glass, lime, and pearl; (2) irritant dusts, derived from woods, textiles, hair, and clay; (3) inorganic poisonous dusts, such as the chemical dusts arising from chemical compounds used in coloring and for the preserving of furs; (4) soluble saline dusts, derived from soluble crystalline substances used in dyeing; (5) organic poisonous dusts, such as those thrown off during the manufacture of cigars; and (6) obstructive and irritating dusts, as fine particles of coal,

[14] U. S. Bureau of Labor Statistics, Bulletin No. 231, p. 251.

the dust of rouge and of flour. These dusts have varied effects with regard to the specific injuries which they produce, but the primary danger lies in the fact that the dust particles lodge in the air passages and in the lungs and gradually induce some chronic disease of these organs.[15]

Responsibility of Employers and Employees in Occupational Diseases.—Although employers appreciate more than ever before that the safety, skill, and contentment of their workers is as important a business requirement as the quality of the commodities they produce, and although wage-earners are better educated than ever as to the health risks in industry, both of these groups are still responsible in part for the prevalence of human waste from occupational diseases. A very large proportion of the industrial establishments in this country are deficient in protective measures against occupational hazards to health. In our cotton mills and factories ventilation is frequently very poor and sanitary conditions deplorable. For example, the New York City Department of Health, through its factory inspectors, examined 484 factories and shops which employed 36,978 men and 37,889 women and discovered numerous conditions that conduced to ill-health of the workers. The department found harmful dusts in 173 establishments, dangerous fumes in 84, excessive humidity in 29, safety hazards in 64, defective lighting in 117, defective ventilation in 89, dirty workrooms in 171, common drinking cups in 121, common towels in 104, defective plumbing in 60, inadequate or insanitary washing facilities in 77, inadequate or insanitary toilets in 165, lack of lockers in 66, lack of first-aid equipment in 29, and improper or inadequate seats in 188. Many deficiencies were corrected through persuasion and special personal effort of the inspectors, while some cases were submitted to the sanitary bureau for correction by legal action.[16]

[15] See *Mortality from Respiratory Diseases in Dusty Trades*, U. S. Bureau of Labor Statistics, Bulletin No. 231, 1918.

[16] *Monthly Labor Review*, September, 1919, p. 300.

Employees are often responsible for contraction of occupational disease, because of the failure to make use of protective devices or because of their ignorance of the health hazards inherent in certain industries. This phase of the problem has been accentuated by the influx to American industries of southern and eastern Europeans who are unfamiliar with the methods and processes of modern industry and unable to read warnings against imminent danger, even when printed in their own language. It should not be implied that all occupational diseases are under the control of employers and employees, since no matter how much care and intelligence may be exercised there is an irreducible minimum of occupational disease incident to modern industry.

The Social and Economic Waste.—As in the case of industrial accidents, accurate statistics concerning the social and economic cost of occupational disease are not available. Here again one must rely upon estimates that have been generally accepted as authoritative, remembering that the total volume of waste involved in industrial diseases cannot be measured in financial terms. In his "National Vitality: Its Wastes and Conservation," prepared for the National Conservation Commission, Professor Irving Fisher estimated that the average number of persons who are sick in the United States is about 3,000,000, and that very close to one-third of these are in the working period of life. The loss of earnings to the workers in this group would be, at a minimum, $500,000,000, according to Professor Fisher's calculation. The total costs of illness, including loss of wages and medical attention aggregates not less than $960,000,000 a year. Professor Fisher concludes that the actual economic saving possible annually in the United States through the prevention of needless deaths, illness, and fatigue far exceeds one and a half billions, and may be several times as great.[17] Dr. George M. Gould estimated that sickness and death in the United States cost $3,000,000,000

[17] Irving Fisher, *National Vitality: Its Wastes and Conservation*, pp. 741, 742.

annually, of which at least a third is regarded as preventable.[18] It is estimated by Professor Fisher that the total loss of direct earnings and potential earnings on account of death, together with the expenses of illness resulting from tuberculosis, exceeds one billion dollars a year.

Mortality from tuberculosis has declined from an average of 200 per 100,000 population to about 120 per 100,000. This decline in the death rate, however, appears to have affected very slightly American workers in the so-called dusty trades. It has been conservatively estimated that of the 42,000,000 gainfully employed persons in the United States 4,000,000, or approximately 10 per cent of the total, work under conditions more or less detrimental to health and life on account of atmospheric impurities that produce tuberculous and non-tuberculous respiratory diseases.[19] One million Americans have tuberculosis, and about 70 per cent of these individuals are between the ages of fifteen and forty-five — the age of wage-earners and producers. It has been found that somebody dies every four minutes from tuberculosis, fifteen die every hour, and three hundred sixty-two every day. Two-thirds of these deaths are among wage-earning classes.

The 42,000,000 men and women who are engaged in gainful occupations in the United States are said to lose on an average eight and one-half days annually from illness disability, a total of 350,000,000 work-days. The economic waste from preventable disease and death among these persons is estimated at $1,800,000,000. Experience has shown conclusively that this loss could be materially reduced, saving to the workers alone a sum in excess of $1,000,000,000 a year. No nation can look with complacency upon the destruction of health and life which results from industrial processes. It is difficult to conceive the wisdom of industrial progress purchased at such a price.

[18] Quoted in Fisher, *ibid.*

[19] Frederick L. Hoffman, *Mortality and Respiratory Diseases in Dusty Trades*, U. S. Bureau of Labor Statistics, Bulletin No. 231, pp. 11, 12.

Industrial Fatigue.—The economic and social importance of industrial fatigue has only recently received serious attention in the United States and the United Kingdom. As has been the case in many other aspects of industrial problems, the Great War aroused public interest in this problem. Fatigue has been defined as "the sum total of the results of activities which show themselves in a diminished capacity for doing work." "Fatigue is the after-effect of work; it is the condition of the worker's organism after he has expended energy in doing something. It is a necessary by-product of activity."[20] Industrial fatigue means a decrease in productive power and efficiency resulting from prolonged and intense activity in some occupation. Physiologically speaking, fatigue is the failure of the structures of the body to perform their proper functions because of physical and chemical changes that have taken place within those structures. This failure to function is caused by the accumulation of poisonous waste in the human organism which prevents the creation of sufficient energy to maintain normal productive capacity.

The manifestations of fatigue are unmistakable. When a condition of fatigue sets in, even though the worker is not conscious of any pain or weariness, work is done in a more disorderly, inaccurate, and inefficient manner, resulting in decreased output. The true sign of fatigue, therefore, is a diminution in productivity which is revealed objectively by a reduction of output even before it is recognized subjectively by the worker. "The results of persistent fatigue are shown in reduced physical capacity and a loss of resistance to disease or an unsatisfactory environment, which are further reflected in returns of sickness or broken time and of the number of accidents recorded."[21]

The causes of fatigue are many. They consist of conditions which, though common, are frequently unrecognized

[20] Frank B. Gilbreth and Lillian M. Gilbreth, *Fatigue Study*, p. 4.
[21] British War Cabinet Committee, *Report on Women in Industry*, 1919, p. 222.

in modern industrial activities. Industrial fatigue may result from: (1) concentration of intelligence, observation, and attention upon some particular task; (2) varied distribution of attention and wide responsibility necessitated by attendance on several machines; (3) sustained use of special senses and sense organs in discrimination, especially in occupations requiring a high degree of skill and accuracy; (4) continuous employment at some task which, though it may be performed automatically, results in excessive monotony; (5) prolonged standing and the lifting of heavy weights, especially in the case of women; (6) excessive hours of labor; (7) undesirable and insanitary working conditions; (8) the tendency to speed up workers beyond normal capacity; (9) undernutrition and malnutrition, caused either by insufficient wages or by ignorance of proper dietary requirements; (10) bad housing conditions; (11) inadequate or improper lighting which causes strain to the eyes; (12) impure or rarefied atmosphere and extremes of temperature; and, finally, (13) awkward positions necessitated by certain employments. The British War Cabinet Committee on Women in Industry concluded that "fatigue naturally occurs earlier in underpaid, underfed persons; and the secondary results of overstrain, including sickness, are most common and excessive among this class of workers, which is mainly comprised of women and girls."

The costs of fatigue are expressed in terms of its effect upon health, longevity, safety, the supply of labor, the stability of employment, industrial good-will and contentment, productive efficiency—including alertness, speed, accurate work, minimum waste of materials—as well as output and profits. A recent writer has estimated that there is a loss resulting from fatigue that amounts to twenty cents per day per year for each employee, which in the aggregate would mean a total loss to the nation for the 42,000,000 gainfully employed workers in the United States of approximately two and one-half billion dollars annually.[22] While this is purely an estimate, it

[22] See "Shop Standards and Fatigue," by Dr. Bernard J. Newman, *National Safety News*, November 29, 1920.

is recognized as reasonable and logical by those in contact with this important problem in industry. Professor Fisher, in his work to which reference has been made already, states that "the economic waste from undue fatigue is probably much greater than the waste from serious illness."

Fatigue as a Factor in Industrial Accidents.—Although the problem of industrial fatigue is essentially one of fatigue in the nervous system and its effects on general efficiency, there is still another important phase of the problem to which consideration must be given; namely, the relation of fatigue to industrial accidents. That fatigue, which is the expression of a poisoned organism, inevitably results in reduced resistance to disease is not difficult to understand. Fatigue as a causal factor in industrial accidents may not be so apparent. In recent decades, however, evidence that such a relationship obtains has been accumulating. Both in Europe and in the United States official investigations have proved that accidents tend to increase progressively with the hours of labor during the morning, to decrease in the hours immediately following the noon period, and to increase again toward the latter part of the afternoon. A study of industrial accidents in Great Britain showed that during the forenoon the number of accidents increased with output, both accidents and production reaching a maximum in the last or next to the last full hour of work.

Similar conclusions have been reached in other countries, including the United States. In the state of Illinois, for example, a recent industrial survey of 1,560 accidents in a Chicago packing plant, 403 accidents in a knitting mill, and 391 accidents in 88 other Illinois firms showed that: (1) The accident rate in every instance studied varied with the rate of production, being highest when production was highest and lowest during the hours of lessened production; (2) the length of employment bore an inverse ratio to the number of accidents; and (3) the two factors most responsible for accidents were speed of production and length of employment. Fatigue was

recognized as having a direct bearing upon the increase of accidents in a given long-hour day. The accident rate in most cases was heaviest in the third, fourth, and fifth hours of the working period, both in the morning and in the afternoon. Increasing speed of production, the accumulation of fatigue, and anticipation of pleasures to follow the day's work have been responsible factors in increasing accidents toward the end of the working-day.[23]

Wage-Earners and the Financial Burden of Accidents.—It is an indisputable fact that the average wage-earner is financially unable to bear the burdens imposed upon him by accidents and illness resulting from industrial employment. Before the meeting of the American Public Health Association in 1919, a special investigator for the United States Bureau of Labor Statistics, in a paper covering the budgets of approximately 13,000 families throughout the United States during 1918-1919, showed that 20 per cent of the families included in the study did not have sufficient food for the maintenance of health, 30 per cent were on the border line between sufficient and insufficient nourishment, leaving about 50 per cent adequately nourished. Clothing expenditures were insufficient to maintain families in health and decency. Fifty per cent of the families included in a special study were found living in houses which had less than one room per person, and many miscellaneous expenses for the care of health, education, amusement, etc., were inadequate.[24] In another investigation covering accidents among 1,000 women, it was found that nearly 90 per cent of the women who were injured were receiving less than $15 a week; less than 1 per cent were receiving $25 or more weekly, and over one-half received less than $10 a week.[25] In the state of California the average age of persons killed in industry in 1919 was 34 years, and the average wage was $28.51 a week, as compared with an average of 39.9 years and $25.01 a week for 1918.[26]

[23] See Report of the Illinois Industrial Survey, *Hours and Health of Women Workers*, Chap. VIII.

[24] *Monthly Labor Review*, December, 1919, pp. 312, 313.

[25] *Ibid.*, February, 1921, p. 149.

[26] *Ibid.*, January, 1921, p. 177.

These figures, it should be noted, are for a period of unprecedented prosperity, when the wages of labor were generally thought to be excessive. The evidence for every country shows that the wages of labor are generally insufficient to provide a surplus for emergencies resulting from industrial accidents, occupational disease, and fatigue, so that the worker cannot be expected to bear the financial responsibility incident to these misfortunes. It is for this reason that an adequate system of workmen's compensation and other forms of social insurance are being introduced in progressive industrial countries.

Conclusions.—The capital of the wage-earner is his capacity to work, and impairment of this capacity threatens his very existence. His continued capacity to toil is all that stands between him and the alternatives of charity and starvation. The husbanding of the physical resources of the worker, therefore, is a national duty of first importance. Where there is no health there is no energy, and where there is no energy there is no output. This suggests the material gains that result from a proper appreciation of the purposes and limitations of human labor and the importance of proper nutrition, adequate rest, and sufficient protection of limb and life in industry. The reduction of accidents and occupational diseases to a minimum is a task that must devolve equally upon employers, employees, and society. This calls for intelligent observation of output, regular investigation of the causes of sickness and lost time, prompt adaptation of hours and conditions of labor to physiological needs, regular physical examination of employees, provision of adequate facilities for resting, and the introduction of many other precautions conducive to the conservation of health and energy. The plant must be clean and wholesome, properly heated and ventilated, and equipped with sanitary accommodations. Care must be exercised in safeguarding dangerous machinery and injurious processes. In short, there must be the application of physiological and psychological science to the details of industrial management, aided by a campaign of education that will

teach men and women the folly of taking unnecessary industrial risks.

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CHAPTER XI

UNEMPLOYMENT

The Nature of Unemployment.—Regularity of employment is something that every normal individual desires, and yet reasonable security of employment has not been assured the workers under modern competitive industrialism. The break-up of the manorial system in England, the passing of free land in America, and the subsequent development of city industries deprived the population of the continuity of employment which had existed in the simple stage of agricultural economy. The complexity of modern industrial life, the minute subdivision of labor, and world markets have made it practically impossible to gauge the demand for commodities, with the result that production is not adjusted readily to consumption and periodical unemployment occurs. The frequency with which acute unemployment has occurred, and the increasing number of individuals who have become victims of seasonal fluctuations in employment, have given unemployment a place among the major problems of our industrial system. No more serious problem challenges the genius of modern nations than that of stabilizing the opportunity to work.

The term "unemployment" when used in a comprehensive sense refers to all forms of occupational idleness, no matter what the cause, whether within or beyond the control of the unemployed worker. Thus interpreted, unemployment is the failure to make a labor contract or to continue such a contract when it has been negotiated; it involves the stoppage of work coupled with the difficulty of finding employment elsewhere. The failure to make a labor contract may result from unwillingness to work on the part of those who are able; physical or mental

disability of those persons who would otherwise be willing to labor; and the impossibility of finding employment even when individuals are willing to work. These varied conditions make it necessary to distinguish the three main types of idleness; namely, *irregular employment, underemployment, and unemployment.* Irregular employment occurs when a worker, because of the variable demand for his labor or his own tendency to idleness, loses a great deal of time. Many persons are idle because they are lazy or suffer from vicious habits. Underemployment exists when a laborer is unable to secure enough work to provide a bare minimum of subsistence and must rely upon charitable agencies to supplement his income. Professor Lescohier estimates that probably more than half of our wage-earners suffer from underemployment. Underemployment breeds economic inefficiency and moral degeneracy, with the result that workers in this group are the last to be employed in periods of industrial activity and the first to be discharged in periods of business depression. Unemployment occurs when a worker is capable and willing to work but cannot find employment because of general economic conditions or maladjustment within the plant or industry.

In analyzing the problem of unemployment it is necessary to distinguish between the unemployed and the unemployable. Unemployability, or disability developing from illness, old age, or some other personal condition, is not identical with the problem of unemployment. The former is essentially a social problem, while the latter is a problem of industry because its determinants are anchored deep in the foundations of the present industrial system. In so far as unemployability is the result of occupational poisons, overwork, insanitary and unsafe conditions of labor it is also a problem of industry, since its solution to a large extent depends upon the removal of undesirable industrial conditions. Moreover, in so far as low wages result in undernourishment and illness and in a penurious old age, industry must be held responsible for the problem of unemployability.

The Social and Economic Significance of the Problem.— Reasonable security of employment is a fundamental condition of social progress. In its economic aspects unemployment reacts adversely upon the industrial enterpriser and the business man, as well as upon the wage-earners. For industry unemployment means increased overhead expenses caused by idle equipment and idle materials. Whatever tends to curtail the buying power of consumers inevitably reduces production and profits. It is important to remember that the majority of consumers are wage-earners and their dependents. Prolonged periods of unemployment and seasonal fluctuations in certain industries reduce the purchasing power of the wage-earning classes and force the strictest economy in consumption. Consumers' demand for commodities falls off; this is reflected in reduced orders by wholesalers and retailers, so that manufacturers are compelled to cut down the working force. Those who are thus discharged recruit the army of the unemployed. After their savings are exhausted the buying power of these persons is destroyed and curtailed consumption results in further limitation of production. Thus unemployment produces more unemployment, and it becomes extremely difficult to escape from the vicious circle.

Wage-earners are undoubtedly the chief sufferers in periods of unemployment. Business recession may force many employers into bankruptcy, but in periods of prosperity most employers are able to build up a reserve fund to meet the emergencies incident to price recession. The earnings of the average wage-earner, on the other hand, are not adequate to provide a financial reserve against unemployment. The meager savings the workers are able to accumulate are soon exhausted when their source of income is cut off or only part-time work can be had. Loss of opportunity to earn a living is accompanied by many specific evils. (1) Deprived of the income of the chief wage-earner, the family must have its income supplemented by the earnings of the mother and children or by payments from boarders and lodgers, whose presence

is inimical to family life. Often there is resort to charitable aid. In some communities it has been found that 70 per cent of the applicants for charity would require no aid if work were regular and wages proportionate to services performed. (2) The existence of a supply of casual laborers and irregularly employed women and children encourages parasitic industries which are unable to survive unless they pay wages below the standard of decent subsistence. Unemployment thus constitutes an incentive to sweatshop practices. (3) General depression of the wage level is an inevitable result of unemployment. Workers released from industries that have shut down because of depression swarm into those industries that manage to keep operating, with the consequence that the severity of competition for jobs is greatly increased and wage standards are lowered. The maintenance of decent wage scales is practically impossible under such conditions of surplus labor. (4) Unemployment results in wasteful expenditure among wage-earners. Irregularity of income has a demoralizing influence upon the habits of the workers. When periods of depression end and prosperity again assures regular earnings, the workers who have been deprived of many necessities and all luxuries tend to spend their incomes recklessly in their eagerness to enjoy the things which they have been unable to buy. (5) Unemployment results in the loss of economic status, and vast numbers of workers drift into the tide of casual laborers. With income cut off and skill going to waste, the morale of workers is weakened and economic degeneration is the result. Irregularity of habits is the natural by-product of irregular employment. Unemployment creates a dislike for work and stimulates the desire to drift. (6) Moral delinquency is a frequent effect of unemployment. Discouragement is inevitable when men and women are willing to work but cannot find employment, and may result in moral delinquency. Criminality tends to increase in periods of industrial depression and unemployment. Evidence indicates that the rate of suicide also increases at such times. It is significant that

in 1921, when unemployment was general, there were 20,000 cases of suicide in the United States, an unprecedented waste of human life resulting mainly from disturbed economic conditions and the aftermath of war.

Unemployment not only tends to dishearten the workers but also fills them with resentment against the present industrial order. Discontent and a tendency to radicalism are the natural consequences of unemployment. Without reasonable security of employment the great mass of wage-earners cannot be expected to perform the duties of citizenship. Unemployment, moreover, is probably the greatest single factor in breeding social unrest. Revolutionary philosophy finds fertile soil in the minds of those who are able and willing to work but who, on account of conspicuous weaknesses in our economic system, are forced to accept idleness with its train of cumulative indebtedness, want, and misery. An industrial system that fails to guarantee regularity of employment will be indicted by the masses who suffer degeneration of the standard of life. Professor Lescohier has summarized the effects of unemployment in a very pungent paragraph: "Unsteady employment attacks the worker's efficiency in so many ways that probably no one could enumerate them all. It undermines his physique, deadens his mind, weakens his ambition, destroys his capacity for continuous, sustained endeavor; induces a liking for idleness and self-indulgence; saps self-respect and the sense of responsibility; impairs technical skill; weakens nerve and will power; creates a tendency to blame others for his failure; saps his courage; prevents thrift and hope of family advancement; destroys a workman's feeling that he is taking good care of his family; sends him to work worried and underfed; plunges him into debt."[1]

Demand and Supply in Relation to Unemployment.—Unemployment arises from a disturbance of the equilibrium between the demand for labor and the supply of labor. Such an equilibrium, of course, does not ever exist in a dynamic society, although in periods of normal indus-

[1] Don. D. Lescohier, *The Labor Market*, p. 107.

trial activity there may be a rough approximation to it. A country's labor supply consists of that part of the population which is capable of entering gainful occupations. If recruitment of the labor supply depended solely upon an excess of births over deaths the quantity of labor-power would be relatively fixed, but immigration is an important factor in augmenting the supply of labor in such countries as the United States. The demand for labor is an aggregate of hundreds of thousands, if not millions, of specific, individual demands for special types of labor-power, to be used in particular establishments for a more or less definite period of time. Centralized control of these numerous demands is extremely difficult. Industrial integration incident to an era of trusts and combines tends to stabilize the demand for labor because it replaces a large number of competing demands by relatively few demands. Large business units are able to stabilize production because they can measure the demand for commodities with greater facility than numerous small enterprises can. Moreover, large concerns are able to produce a variety of commodities and can shift their working force from departments with slow production to active departments.

There is no fine adjustment between the supply of labor and the demand for it. The world's labor supply can be increased only by securing an excess of births over deaths or by improving the efficiency of the existing population. Conversely, the supply can be decreased only by an excess of deaths over births, or by a diminution of labor efficiency. The supply of commodities can be adjusted to effective demand with a fair degree of facility. When a falling off in the demand for a commodity results in a lower price, production is shifted to other commodities for which the demand is brisk and the price is high. No such rapid readjustment can be made with regard to the labor supply because it comprises human beings. The prolongation of infancy prevents a spontaneous increase in the available supply of labor, and moral laws against the destruction of human life preclude an immediate re-

duction in the supply. Thus a falling off in the demand for labor is accompanied by an increase in its supply, with the result that the price of labor is greatly reduced; a rapid rise in the demand for labor enhances its price. It is the impossibility of reducing the labor supply when demand falls off that makes the unemployment problem so acute.

The Extent of Unemployment.—Complete statistics of the extent of unemployment among industrial wage-earners are not available, but thorough investigations have made possible reliable estimates. Wage-earners in the principal manufacturing and mining industries in the United States lose on an average from one-fifth to one-fourth of the working time during normal years, and in highly organized trades and industries, during periods of greatest industrial activity, from 7 to 20 per cent of all the members of unions are unemployed during the year. In the winter months of any year the army of unemployed in our great cities numbers several hundred thousand, while in periods of industrial depression several million workers are unemployed. The United States Census for 1900 showed that 6,468,964 working people, or nearly one-fourth of all persons engaged in gainful occupations, had been unemployed some time during the year. Of these, more than 3,000,000 lost from one to three months of work and more than 736,000 lost from seven to twelve months. More than 27 per cent of the total number of persons employed in manufacturing and mechanical pursuits were out of work at some time during the census year. From 1,000,000 to 6,000,000 workers, exclusive of farm laborers, were idle in the United States at all times between 1902 and 1917, the average number unemployed being two and one-half million workers, or nearly 10 per cent of the active supply. At least 4,000,000 workers who were employed in September, 1907, were unemployed in January, 1908.[2] The unemployment period of 1907–1908 had scarcely subsided when the outbreak of the war in

[2] Hornell Hart, *Fluctuations in Unemployment in the Cities of the United States, 1902–1917*, pp. 51, 52.

Europe caused a severe slump in American industry and business. During 1914–1915 at least 2,000,000 were forced into idleness and, if those who were working only part-time be included, the total reached about 7,000,000. So little time had the workers in which to recover from the depression of 1907–1908 that the suffering was tremendous.

Quick recovery in business conditions was made possible by the abnormal demand for American goods by European belligerents, but after about four years of prosperity depression and unemployment again set in on an unmistakably large scale, in the fall of 1920. In June, 1921, estimates put the number of idle workers at 4,000,000, with at least as many more working only part-time. In August the United States Bureau of Labor Statistics completed a survey which showed that the number of unemployed had reached a total of 5,735,000. There were more than 3,900,000 less persons employed in manufacturing and mechanical industries in July, 1921, than in January, 1920.[3] A canvass of idleness in 917 cities, made by the American Federation of Labor, indicated that approximately 4,000,000 workers were unemployed. The most conservative estimates stated that over one-quarter of the industrial wage-earners were out of work June 1, 1921, representing an estimated total of about 3,500,000. The depression in business and industry continued, reductions in the labor force ranging from 19 to 70 per cent in the basic industries, and in April, 1922, the situation was practically unchanged. Millions of workers were employed only part-time.

It is important to remember that the problem of unemployment is not confined to recurrent periods of depression but that an average of more than 2,000,000 workers, or about 15 per cent of the industrial wage-earners of the country, are unemployed during normal times. The experience of the principal industrial states of Massachusetts, New York, Pennsylvania, and Illinois indicates that

[3] Estimates furnished the U. S. Senate on August 12, 1921, by the U. S. Bureau of Labor Statistics.

the average number of days lost per annum by industrial wage-earners is about forty-two, or approximately 14 per cent of each laborer's total working time. This figure does not include the losses of part-time employees for whom no reliable information is available. The yearly percentage of unemployed organized workers is about 10 per cent in normal years and 20 per cent in years of industrial depression. Trade unions include chiefly skilled workers who are the last to be laid off in slack times. The percentage of unskilled workers without employment is higher because they are the first to be laid off when business slumps; the minimum estimates put the percentage of unemployment among the unskilled at 3 or 4 per cent above that for the skilled workers. Even in the phenomenal years of 1917 and 1918, when the United States experienced unprecedented industrial activity and when unemployment reached its lowest point in twenty years, there was a margin of unemployment amounting to more than a million men. Thus, unemployment appears as a constant economic problem.

Some industries, such as the building trades, mining, and the clothing trades, show a relatively high percentage of unemployment, while industries such as the printing trades show a relatively low percentage. Investigations have shown that the building trades workman is employed only about 190 days in the year, or approximately 63 per cent of his time; the clothing worker is idle about 31 per cent of the year; the average shoemaker spends only 65 per cent of his time at work; and during the last thirty years bituminous coal miners have been idle an average of about 93 possible working days a year.[4] In normal years bituminous coal miners are given only 215 days of work out of a possible 308 days, while in years of severe depression, as 1893 and 1921, they worked only 170 days. It is evident, therefore, that unemployment is not an occasional or accidental condition to be met by charitable relief, but a permanent problem which in recurrent

[4] See the *Report of the Committee on Industrial Waste*, Federated American Engineering Societies.

periods of business depression becomes extremely acute; a problem whose magnitude should command much more thoughtful attention than it is given.

The problem of unemployment is not confined to the United States. A similar situation exists in practically every country, particularly in advanced industrial nations such as Great Britain, France, and Germany. Official investigations indicate, however, that unemployment is more intense in the United States than in other countries. The report of the organizing committee of the International Labor Conference held in Washington, District of Columbia, November, 1919, showed that the mean percentage of unemployment in certain trades for the period 1904 to 1913 was 2.1 in Germany, 2.7 in Belgium, 4.7 in the United Kingdom, 7.8 in France, and 15.2 in New York, which was taken as typical of the United States. The committee concluded that industrial fluctuations are more pronounced in the United States than in most other countries and that as a consequence the variation in the percentage of unemployment is greater. The prewar percentage of unemployment in the United States was normally about three times as great as in England or Germany, and the fluctuations were more violent.[5] In explanation of this difference, the Secretary of Labor suggested that the working population easily finds its level and consequently unemployment is comparatively light in relatively small, compact, and densely populated industrial communities as England or Belgium, or in one as highly organized as Germany prior to the war. In the United States, on the other hand, vast in territory and possessing a great diversity of industries scattered over a wide area, the unemployed worker is too often stranded in the community in which he finds himself. His ignorance of the labor market and the great distance that separates him from the opportunity for work more than neutralize the greater mobility commonly attributed to

[5] Eighth Annual Report of the Secretary of Labor, 1920, pp. 142, 143.

the American wage-earner.[6] The problem of unemployment in the United States, therefore, is not only more continuous but more acute than in smaller countries, and its solution is correspondingly more difficult.

The Causes of Unemployment.—Many classifications of the causes of unemployment have been made, but they have differed more in form than in content.[7] A knowledge of the causative factors of unemployment is fundamental to a proper understanding of the problem and the proposed solutions. These causative conditions fall into four main classes.

1. *Social conditions,* or those which develop from a lack of proper social control. These include:
   (*a*) Unequal distribution of wealth and income.
   (*b*) Monopolization of land.
   (*c*) Immigration.
   (*d*) Inadequate organization of the labor market.
   (*e*) Insufficient provision for industrial training.

2. *Economic conditions,* or those which develop from changes and deficiencies in industrial and business organization and operation. These embrace:
   (*a*) Evolutionary changes in industry.
   (*b*) Seasonal fluctuations in industry.
   (*c*) Cyclical fluctuations in industry.
   (*d*) The existence of a labor reserve.
   (*e*) Strikes and lockouts.
   (*f*) Deficiencies in industrial management.
   (*g*) Wasteful methods of commodity distribution.
   (*h*) Overexpansion of credit.

3. *Personal conditions,* or those attributable to the failure of the individual to adjust himself to employment. Among these are:
   (*a*) Physical and mental disability.
   (*b*) Economic inefficiency.
   (*c*) Moral deficiency.

[6] *Ibid.,* p. 199.

[7] Cf. Beveridge, *Unemployment: A Problem of Industry;* Lescohier, *The Labor Market;* National Industrial Conference Board, *The Unemployment Problem;* United States Industrial Commission, *Final Report,* Vol. XIX, pp. 746-763; United States Commission on Industrial Relations, *Final Report,* pp. 36-38; 104, 105.

4. *Political conditions,* or those resulting from deficiencies in governmental policy. Here may be mentioned:

(*a*) The fiscal policy.

(*b*) The tariff policy.

(*c*) The international policy.

1. *Social Conditions.*— (*a*) Unequal distribution of wealth and income.—Inequalities in the distribution of wealth and income mean that the great mass of the population is deprived of purchasing power, while a minority have more of such power than they can use and must invest their surplus in productive enterprises. This results in further concentration of wealth and greater disparities in the distribution of income. A few live in affluence while the many are inadequately fed, poorly clothed, badly housed, and uneducated. In view of such disparity it is idle to speak of overproduction as the cause of unemployment; rather is it a lack of buying power on the part of the majority of the population. The home market remains undeveloped so long as many people are unable financially to purchase the bare necessities, to say nothing of the reasonable comforts of life. An impoverished population is a poor trade asset; the relative inability of the wage-earning classes to buy is a direct cause of the discounting of the home market and the resultant unemployment. It is well to remember not only that lack of purchasing power curtails demand for the products of industry and causes unemployment, but also that unemployment in turn decreases further the ability to purchase and the necessity for production. Unemployment in basic industries soon slows up production in less essential industries such as the manufacture of automobiles, and the wave of unemployment spreads.

(*b*) Monopolization of land.—The lack of easy access to unused land and natural resources, except at a price and under conditions prohibitive to the average worker, has often been cited as a prominent cause of unemployment. More than a decade ago it was estimated that about four-fifths of the area of the large land holdings was being held out of active use by their 50,000 owners, while 2,500,000

farmers were struggling for a bare subsistence on farms of less than 50 acres and the ranks of the unemployed in cities were filled with men who could and would cultivate these lands. Many of the larger farms are held for speculation by real estate dealers and bankers who have independent sources of income. There is a definite tendency on the part of owners of large tracts to monopolize the best areas of timber and agricultural lands in the United States.

(*c*) Immigration.—Largely in response to an active demand for labor, the movement of population from Europe to the United States has surpassed all labor migrations in human history. The stream of immigration has been fairly continuous, reaching the enormous figure of 1,285,349 in 1907, and 1,218,480 in 1914. Between 1900 and 1917 immigration was responsible for a net addition to our population of 10,000,000 persons. There is no accurate adjustment between this incoming tide and the demand for labor; the great mass of immigrants seek more congenial homes and come to stay. Since immigration does not adjust itself to the demand for labor it results in an oversupply of unskilled labor, which means a less number of working days and less income for those who are already here. Voluntary or involuntary displacement of native American and older immigrant workers causes unemployment for the latter groups. Moreover, the presence of a large supply of cheap labor, coupled with the willingness of immigrants to work long hours, makes possible the concentration of production in seasonal trades.

(*d*) Inadequate organization of the labor market.—The absence of a national system of labor distribution is an important factor in unemployment in the United States. Because there is no centralized and coördinated system of employment offices, the coexistence of a labor surplus and a labor shortage is common. The supply of labor may be excessive in the eastern states and inadequate in the western states, but there is no scientific social system for the effective distribution of the workers from one section of the country to another. The workers' lack of information about employment and their immobility are difficulties that

can be overcome only by a comprehensive system of public employment offices.

(*e*) Insufficient provisions for industrial training.—The failure of society to provide an adequate system of industrial education and training has been one of the most significant causes of idleness. Inefficient labor increases costs of production and weakens the employer in competition with more efficient enterprisers, with the result that orders fall off and the working force is curtailed or laid off completely. Graduation into unemployment is the logical sequence of the recruitment of the nation's labor supply from hundreds of thousands of youths who have no suitable vocational and industrial training. Official investigations in several countries have shown conclusively that unemployment is continually being augmented by a stream of young men from industries which rely upon unskilled boy labor and turn it adrift at manhood without any general or special industrial qualification. The flood of youth that annually goes into "blind alley" or "dead end" occupations will have to be arrested if unemployment is to be reduced. Such occupations are the breeding grounds for the low-grade casual type of laborer which forms the chief element in the underemployed and unemployable classes. Vicious habituation, irregularity, and immorality have been the results of lack of industrial quality. Industrial training is fundamental to the possession of industrial adaptability.

2. *Economic Conditions.*—(*a*) Evolutionary changes in industry.—The labor force in modern industry is in a state of continual flux on account of the frequent changes and rearrangements in industrial organization, methods, and processes. The rise of new industries and the decay of old ones, the introduction of new machinery and the adoption of better methods and processes, the substitution of one kind of labor for another, and the regional shift in the location of an industry or group of industries all result in making certain forms of skill superfluous and in throwing workers out of employment. Changes in industrial machinery, methods, and processes, cause only tem-

porary distress among the workers, since these changes tend to reduce the cost of production and consequently the prices of commodities, thus bringing the goods within the buying ability of a larger number of persons and stimulating demand. Increased demand calls for greater production and the employment of a larger working force.

The extent of injury resulting from the introduction of new machinery, methods, and processes depends ultimately upon the immediate prospects of reëmployment in other lines of work. The McKay sewing machine sews uppers on the soles of 100 pairs of shoes in one hour and thirty-eight minutes, as compared with 98 hours with the use of the awl, pincers, and strap which were used in hand methods. One man is thus able to do the work of sixty. As a result of this invention considerable suffering was experienced by the shoemakers. The workers in many trades have protested, often with violence, against the introduction of improved machine methods. Typesetting machines, which were introduced on a general scale in the business depression of 1893, resulted in unemployment for thousands of compositors, but with the return of prosperity even a larger number were required to meet the needs of the trade, because the cost of printing was reduced. Moreover, in periods of industrial prosperity when labor is scarce enterprisers introduce improved machinery, while in periods of industrial depression and unemployment the tendency is to employ proportionately more labor and less capital. Except for particular classes, the workers do not suffer severely as a result of evolutionary changes in industry, because these changes are gradual and tend to increase the demand for labor by decreasing the price of the commodity. Considerable unemployment may be caused by such exigencies as business failure, business reorganizations and mergers, destruction of the plant by fire, and the death of the employer.

(*b*) Seasonal fluctuations in industry. — Industrial fluctuations are of two types: seasonal variations, in which the complete cycle of falling and increasing de-

mand is completed within a period of one year; and cyclical fluctuations, in which the change extends over a number of years. The former are trade variations, usually affecting each trade or group of trades in a peculiar and distinctive manner at a particular time, while the latter affect practically all trades alike, resulting in fairly uniform periods of activity and depression.

Seasonal fluctuations are caused by changes in climatic conditions, seasonal changes in consumption, and the tyrannous and exacting demands of fashion. Climate is the sole determinant of cultivating, sowing, and harvesting periods in agricultural industries and all activities depending upon these, such as canning. Weather likewise affects building activities. Coal mining and the manufacture of gas, the canning of fruits and vegetables, and the manufacture of clothing are influenced by seasonal consumption. Climatic changes and seasonal variations in consumption have an adverse effect upon wage-earners, resulting in peaks of demand in spring and fall, with slight variation in midsummer and a marked depression in winter. Peaks of high production and hollows of low production vary in time, regularity, and range with the different trades, and are less marked in large-scale than in small-scale industries. A study of unemployment in cities of the United States from 1902 to 1917 showed that the average number of unemployed tended to be greatest in January, averaging three and one-third millions, and least in October, averaging less than two millions. Agricultural pursuits, employing about 13,000,000, have a very high summer peak, but release several million laborers in the winter, a large number of whom drift to our cities where they swell the already abnormal labor surplus.[8] Manufacturing industries show similar irregularities in employment. In the state of New York the percentage of union workers reported idle in the month of March averaged 23.4 per cent during the period 1904–1915, while the average for September in the same period was only 13.4 per cent. In Massachusetts the average in

[8] Hornell Hart, *op. cit.*, pp. 55, 56.

March for the period 1908–1919 was 11.4 per cent, and for September only 6.4 per cent. The experiences of these states are typical of those in other states.

The tragedy of seasonal employment lies in its tendency to build up in each industry a labor reserve to meet the demands of the busy season, thus causing not only unemployment at specified times but underemployment during the rest of the year. In only a few industries, where labor is highly skilled and well organized, such as glass blowing and the building trades, are the workers able to command a wage sufficient to tide them over slack periods. In such occupations as coal mining, railway track work, and the manufacture of clothing the wage scale is insufficient to compensate for lost time.

(*c*) Cyclical fluctuations in industry.—Seasonal variations cause less social injury than fluctuations which occur in longer cycles. Cycles of business prosperity and depression are a prominent characteristic of modern industrialism; periods of great industrial activity alternate with periods of general business depression. From ten to fifteen years is required for a wave of unemployment to rise to a high peak and fall again to a low level, and within these greater waves there are small fluctuations with lessened employment occurring every four or five years. In the United States, for example, relatively great unemployment resulted from general industrial depression in 1892–1893, 1904–1905, 1907–1908, 1913–1914, and 1920–1922. Except for minor variations, general prosperity characterized the years between these states. Panics and depressions stop the wheels of industry and cause immeasurable suffering to the working classes. Lack of orders accompanying the depression of 1920–1922 was responsible for fully 60 per cent of the general wave of unemployment in the United States.

Recurrent periods of prosperity and depression have led many persons to believe that modern industry, based on the competitive system and uncontrolled by state action, can grow only through a succession of periods of rapid expansion followed by actual or relative contraction.

There have been numerous attempts to explain these cyclical fluctuations. Underconsumption is said by some to be the basic cause. The existence of surplus incomes leads to oversaving and investment of capital by a few, while at the same time the great mass of people are without purchasing power. The problem, therefore, is how to make the demand effective, that is, to increase the consuming power of the masses. Overproduction is often mentioned as the fundamental cause of depression and unemployment. This is true only if overproduction in relation to effective demand is meant, since there can be no such thing as general overproduction when the majority of the world's population is deprived of the necessities and reasonable comforts of life. Other persons have contended that the trouble lies in competition; the eagerness to get as large as possible a share of the market and profits leads sooner or later to joint production in excess of effective demand and glutting of the market. The result is that depression and unemployment prevail until accumulated stocks of commodities are cleared and demand is revived. There are many who blame overexpansion of credit in prosperous times as the basic factor. These explanations are not so different as they appear; they approach the problem from slightly different angles, but come to practically the same conclusion. There are many other theories of cyclical fluctuations that cannot be discussed here for want of space.

(*d*) The labor reserve.—There is an irreducible minimum of unemployment developing from the presence of a labor reserve which accumulates in modern industries. This reservoir of labor consists of those persons whose services are required more or less irregularly. The size of this reserve depends upon the number of different employers, the changing fortunes and irregularities of particular business enterprises and of industry in general, the relative mobility of the labor force, the average length of engagements for work, methods of labor management, and the system of labor placement and distribution. The

anomalous coexistence of a labor shortage and a labor surplus arises; frequently a million and a quarter workers are idle in periods of unprecedented demand. Even in normal times an army of idle men stands at factory gates seeking employment or hangs around employment offices and loafing places. Some of these will not work, some cannot fit into the available jobs, some are ignorant of employment opportunities, a certain class are never contented with any job, and many could not move to the locality where work is available.

(*e*) Strikes and lockouts.—The importance of strikes and lockouts as a factor in unemployment is grossly exaggerated; the time lost on account of labor disputes is relatively insignificant. Unemployment arising from labor disputes averaged less than one per cent among the organized wage-earners of Massachusetts during the period 1908–1920, and in New York State the average was less than two per cent in the period 1904–1914. The number of man-days lost by all wage-earners because of strikes and lockouts has been estimated at less than one per cent by the New York State Board of Mediation and Arbitration. Of the 11.2 per cent of local trade union members reported as unemployed in Massachusetts, on March 31, 1919, over 90 per cent were unemployed because of lack of work rather than because of disputes or disability. The situation in these states is typical of the entire country.

(*f*) Deficiencies in industrial management.—There are many particulars in which managerial inefficiency contributes to unemployment. High production costs, ineffective sales methods, lack of coördination between the various departments of the plant, inefficient methods of selection and placement of employees, inadequate facilities for industrial training, labor turnover, and the absence of an organized channel of communication between management and employees are some of the reasons for lost time. When production costs are excessive the sale price of the products must be correspondingly high;

this reduces sales and decreases production and employment. Excessive labor costs are usually blamed for high production costs, but management knows that the numerous factors mentioned above are more important. Lack of materials and equipment causes the plant to shut down or slacken its pace of production. The absence of correlation between production, sales, and finance departments is the cause of friction within the business organization. Overselling in certain seasons means concentration of production, followed by a period of inactivity and unemployment. Labor turnover, or the shift and replacement in personnel, lessens employment and decreases the productivity of the plant. This separation of men from the service of the company is frequently the result of inefficient methods of selection and placement, lack of industrial training, and poor labor management in general. The exaction of excessive profits also curtails demand and reduces production.

(*g*) Wasteful methods of commodity distribution.—The absence of adequate facilities for collecting and tabulating information about available markets at home and abroad often causes manufacturers to produce surplus commodities. This conduces to concentration of production, recession in the price of the goods, severe losses to the producer which are not shared by the middleman who retains the original price level, and unemployment.

(*h*) Overexpansion in credit.—Professor Commons has characterized the credit problem as our biggest labor problem, because it lies at the bottom of the question of unemployment, which is the source of the bitterness constantly arising between capital and labor. The failure of capitalism to furnish economic security to labor is the source of industrial unrest. Eagerness for profits leads to overexpansion. "Prices rise; wages rise; profits swell; everybody is confident and overconfident; speculation overreaches itself; the future looks more assuring than it is; too many buildings and factories are constructed; then the inevitable collapse. Hundreds of thousands of workingmen are laid off. Business establishments go into

bankruptcy or liquidation. The credit system breaks down. Then the cycle repeats itself.'' [9]

3. *Personal Conditions.*—The personal equation is intimately related to the problems of unemployment and unemployability. Old age, economic inefficiency, moral degeneracy, and physical and mental deficiency are prominent causes of idleness.

(*a*) Physical and mental disability.—The speed and technique of modern industry demand a degree of alertness and physical vigor which the worker in old age does not possess. Once past the meridian of his life, the industrial worker finds it difficult to secure employment. Some investigations have shown that one-fourth of the idle workers covered in the surveys were unable to reënter industry because of age. From seven to nine working-days out of a possible three hundred are lost annually by wage-earners on account of sickness, and many more because of accidents. Mental deficiency lessens adaptability to the needs of industry and keeps many out of work.

(*b*) Economic inefficiency.—Personal inefficiency of employees who do not perform properly their assigned tasks results in their being discharged and kept out of employment. Laziness, incompetence resulting from lack of training or natural capacity, indifference to the wishes of the employer, and carelessness in the use of tools, machines, and materials cause many persons to be released from industry.

(*c*) Moral deficiency.—Each nation has its fringe of moral deficients. These include the nomad, who lives by begging, blackmail, or pillage; the settled resident loafer; the intermittent loafer who usually has a dependent family; and the criminal. Idleness has a reflex influence affecting personal failings, since unemployment itself breeds inefficiency and moral delinquency. Intemperance, vice, bad disposition, and many other expressions of temperament and bad habit contribute no small share to idleness.

[9] John R. Commons, ''Prevention of Unemployment,'' *American Labor Legislation Review*, Vol. XII, No. 1, March, 1922, pp. 19, 20.

4. *Political Conditions.*—The extent to which political conditions affect production and unemployment cannot be measured. Industry and business are sensitive to changes and movements in political relations, whether domestic or international; the securities market reacts quickly to favorable or unfavorable political news.

(*a*) The fiscal policy.—Business men in industrial countries have laid great emphasis in recent years upon the disturbing influence of taxes on industrial and business enterprises. Uncertainty with regard to the financial policy of the government and the imposition of heavy taxes on incomes and excess profits have been condemned as causes of business depression. If industry should be overburdened with taxation industrial enterprise would be discouraged, but taxation has not yet become an important cause of unemployment in the United States.

(*b*) The tariff policy.—Advocates of protective tariffs contend that the lowering of tariffs on particular commodities subjects domestic producers to severe competition with foreign goods produced at lower costs, thus destroying the home market and cutting down production and employment. Crises, panics, business depressions, and price deflations are sometimes attributed to a reduction in tariff schedules. To a certain extent tariff reductions result in the dumping of foreign-made goods upon the domestic market, but there is no reason for classifying this as an important cause of unemployment. All the economic maladjustments attributed to the lowering of tariffs are experienced periodically by Great Britain and other nations which for a long period of years have had a free-trade policy. Moreover, protective tariffs make possible the maintenance of a relatively high price level by domestic producers, thereby increasing the cost of commodities to the wage-earners and reducing their real buying power—a basic cause of unemployment. Finally, high tariffs result in the adoption by other nations of retaliatory tariffs against American-made goods, thus destroying our foreign markets and causing diminished production and unemployment.

(c) The international policy.—Regularity of production and a stabilized price level are promoted by world peace and disturbed by war and preparation for war. Armament causes the unproductive use of wealth, and war results in enormous waste of human resources. International conflicts take millions of men from productive industries and put the burden of supporting them upon those who are left in economic life. Great reduction in the price of commodities and, consequently, an increase in effective demand would result if the billions of dollars spent for war and preparation for war were directed into the production of necessities. Moreover, war and military life tend to encourage a love for noneconomic activities, and the millions of men who are wounded suffer an immeasurable loss of industrial capacity. In the absence of a systematic plan of rehabilitation these men become unemployable. Increased productivity and employment resulting temporarily from war are invariably followed by an extended period of business depression and general unemployment.

The Migratory Laborer.—The unemployment problem in the United States is aggravated by the presence of the "floating" or "migratory" laborer. It has been estimated that in all probability there are several millions of American workers who are not attached definitely either to any particular locality or to any special line of industry.[10] The problem of the migratory worker arises from the seasonal character of certain industries, the large geographic area of the country, and several other factors; it is closely related to the problem of the tramp. Migratory workers tend to sink to the rank of nonworkers, to increase the irregularity of their working periods, and to intensify the general problem of unemployment. These workers move continually from one section of the United States to another in response to the opportunities for employment. They engage in seasonal occupations such as harvesting of crops in the summer and autumn, lumber-

[10] U. S. Commission on Industrial Relations, *Final Report*, 1916, p. 101.

ing and ice-cutting in the winter, and construction work in the spring and summer. They make up the army of casuals whose peculiar psychology and mode of life inject into the American labor movement a distinctly radical element. In addition to these regular migrants there are considerable numbers of laborers who move irregularly on account of depression in different trades and localities, or because of false rumors of opportunities for work. Many of these acquire habits of migration.

The United States Commission on Industrial Relations disclosed the serious phases of the migratory labor problem. The number of migratory workers appears to be increasing relatively and absolutely. A considerable portion have become migrants because of peculiar personal characteristics or weaknesses, which are accentuated by the conditions under which migrants must work and live. But apart from individual characteristics, American industry demands a labor reserve for its seasonal industries. It has been found that an increasingly large proportion of these casuals degenerate, economically and socially. "Young men, full of ambition and high hopes for the future, start their life as workers, but meeting failure after failure in establishing themselves in some trade or calling, their ambitions and hopes go to pieces, and they gradually sink into the ranks of migratory and casual workers. Continuing their existence in these ranks, they begin to lose self-respect and become 'hoboes.' Afterwards, acquiring certain negative habits, as those of drinking and begging, and losing self-control, self-respect, and desire to work, they become 'down-and-outs'—tramps, bums, vagabonds, gamblers, pickpockets, yeggmen, and other petty criminals—in short, public parasites, the number of whom seems to be growing faster than the general population." [11]

The housing and employment conditions that these men must endure are such as to destroy both character and physique, to make them carriers of disease, to establish the habit of migration, and to create instability. The

[11] *Ibid.*

lodging houses and eating places provided for these laborers have been characterized as "unfit for human beings." Nor do they escape these degrading influences when they go to the industrial centers from lumber camps and other out-of-the-way places of employment. Returning to the city at the end of their regular migrations, they become the prey of unscrupulous gamblers, keepers of houses of prostitution, small private bankers, and other varieties of parasites. As a result, the earnings which these migrants have left, after deduction of their living expenses, rapidly disappear and the migration must begin again.[12] The transportation of migratory laborers is a serious problem; millions of them steal rides on railways, with the result that there is congestion in certain railroad centers, waste of time and energy, bodily injury and permanent disability, and homicide. The problem is aggravated by the fact that the movement of these individuals is unorganized and unregulated, and all attempts to direct the movement have failed.

The Incidence of Unemployment.—Unemployment, irregular employment, and underemployment are not distributed evenly among the workers, on account of individual differences and the changing industrial fortunes of each laborer. The incidence or final burden of unemployment in its various forms generally rests upon those who are least able to bear it. The selective influence of personal character is the important factor here. When production is reduced and a part of the working force must be laid off, the economically inefficient, and consequently, the financially weak, are the first to be dismissed, and in periods of industrial prosperity and expansion these same workers are the last to be employed. It is this casual fringe about all industries that must bear the burden of minor industrial fluctuations. Idle because of their inefficiency, these workers have their inefficiency accentuated by idleness, and they almost invariably sink into the ranks of the unemployable who are dependent upon charity and benevolence.

[12] *Ibid.*, pp. 102, 103.

Methods Suggested for the Reduction and Prevention of Unemployment.—Abolition of unemployment implies perfect business adjustment. It is not clear that such an adjustment is possible, but by a combination of temporary and permanent plans unemployment can be reduced to the minimum caused by forces beyond the control of human beings. Suggestions for the reduction and prevention of unemployment include: (1) the promotion of industrial education to equip workers with a degree of skill that will increase their efficiency and stabilize employment; (2) stricter regulation of immigration for the purpose of effecting an approximate equilibration between the influx of immigrants and the demand for labor; (3) organized, systematic dovetailing of seasonal industries in order to give the workers in these trades subsidiary occupations during slack seasons; (4) regularization of industry by standardizing products and coördinating production and sales departments, with a view to furnishing employment the year round; (5) systematic adjustment and distribution of public work in order to absorb surplus labor in dull seasons and periods of excessive unemployment; (6) rigid regulation or the abolition of private employment agencies; (7) establishment of an adequate system of public employment exchanges for the effective placement of labor; (8) unemployment relief or charity; (9) more conservative regulation of credit; and (10) unemployment insurance. Discussion of unemployment insurance is postponed until a later chapter.[13]

1. *Industrial Education and Training.*—Adequate provision for vocational education and trade training will do much to eliminate the lack of industrial adaptability on the part of a large number of workers who at present enter industry without any technical preparation and get very little that is worth while after they enter. The absence of skill keeps hundreds of thousands of men and women in the underemployed and irregularly employed classes and forces them into idleness for extended periods during business depressions. In years of acute unemploy-

[13] See Chap. XXVI.

ment as well as in months of seasonal depression, the United States can do a remarkably constructive work in improving the quality of her labor supply by providing classes in industrial training for the unemployed.

2. *Regulation of Immigration.*—The immigration policy of the United States has been planned with little or no regard for the necessity of adjusting the influx of aliens to the industrial needs of the country. Literacy tests and nationality percentage quotas keep out no greater number of persons in periods of severe depression than in years of great industrial activity and business expansion. There is sound judgment back of the demand of American labor for the complete exclusion of immigrants in periods of unemployment when the labor supply is excessive. If this policy were supplemented by a careful selection on the basis of industrial needs in periods of industrial activity so that immigrants would enter those industries in which the demand for labor exceeded the supply, the interests of American employers would be safeguarded and the American workingmen's standard of living would be protected. Thus far sentiment and the political influence of employers and foreign-born citizens have prevented a rational policy of this kind, with the result that in years of acute unemployment, such as 1920–1922, American workers have suffered on account of the flood of new immigrants into an already depressed labor market.

3. *Systematic Dovetailing of Seasonal Industries.*—Certain industries and occupations have their highest peaks of activity in winter, while others have their maximum in summer. The dovetailing of these summer and winter industries is practicable within certain limits, and provides regular employment for the workers. In the large cities of the United States it is a common practice for the same companies to sell coal and ice, their employees being kept busy in all seasons. Another example of dovetailing is found in the location of canning factories in rural communities where the workers are employed alternately in agricultural pursuits and in factories.

4. *Regularization of Industry.*—Manufacturers are able

to relieve the unemployment situation by part-time work, through the rotation of jobs; manufacturing for stock; plant construction, repairs, and general improvements and readjustments; reduction of the number of hours of labor per day; coördination of the departmental activities; improving sales methods; seeking more diversified markets and increasing the variety of products; stabilizing the trade; and standardizing products. Special discounts are offered to customers who purchase their stock out of season. Many companies concentrate production on those goods which are most in demand, shifting their force from the manufacture of one class of goods to another. In periods of inactive demand manufacturers are able to produce standard products for stock, the surplus being stored. Standardization of styles and products can be promoted by coöperation of manufacturers and consumers. In their eagerness to capture as large as possible a share of an active market, employers make plant improvements and extensions during prosperous times when labor is scarce and expensive. Employment could be steadied if these activities were postponed until years of slow production. This would result in a lower cost to the producer because of the labor surplus and lower wage scales.

Prominent among the concerns that have adopted a systematic plan for the prevention and relief of unemployment is the Dennison Manufacturing Company, Framingham, Massachusetts. This company started as a manufacturer of Christmas trinkets, its busy season beginning in September, when retailers ordered their goods, and ending with three or four months of concentrated production and overwork. By the application of certain clearly defined principles the company has reduced seasonal employment. (1) Seasonal orders are reduced by getting customers to order at least a minimum quantity of goods well in advance of the season. This is accomplished by merely asking for business, by persuasive salesmanship, and by promising greater security as to delivery.

(2) The proportion of nonseasonal orders is increased. Effective selling secures "hold orders" which are not to be delivered until a certain date, and orders to be delivered when ready. (3) All stock items are planned more than a year in advance. On the basis of the previous year's sales the warehousing department ascertains a year in advance just what amount of stock items will be required, a fact which makes possible proper distribution of production and assures a steady flow of commodities to customers. (4) Departmental needs are planned well in advance. This assures the necessary amount of raw materials and other prerequisites when needed, and prevents a slowing down in production with its loss of time to the workers and money to the company. (5) The building up of "out-of-season" items and varying the lines of production in order to balance one demand against another are encouraged. New paper box items not used for holiday purposes are developed, and staple articles are made for stock. This levels production and steadies employment.

In addition to these methods of decreasing the pressure of seasonal demands other adjustments are applied by the company, such as the balancing of decreased production in one department against the surplus in another. Transferring workers from the inactive to the active departments assures them of employment and makes them more generally proficient. In order to meet any contingencies of unemployment that get beyond the control of the company, unemployment relief is provided in the form of an unemployment fund, set aside by the directors out of profits and accumulated over a period of five years. This is not a form of charity; the fund is administered by a joint committee representing the company and the workers. The company's efforts have been unusually successful. The number of employees increased steadily from 1,840 in January, 1916, to 2,650 in January, 1922, the firm passing successfully through the period of acute unemployment of the years 1920–1922. The president of the

company attributes the achievement to improvements in management and in the morale of the workers.[14]

5. *Systematic Adjustment and Distribution of Public Work.*—Public work is better than charity. It is necessary to make a distinction between public works planned merely as "relief" to idle workers, and the well-planned program of public improvements which extends over a period of years. The expenditure of public funds for work that is not necessary is an unjustifiable waste, but the creation of a special fund to provide public work in periods of unemployment is a social responsibility of first importance. Unfortunately, many communities sanction public improvements in periods of prosperity when sources of revenue are tapped more readily, and fail to undertake these projects in periods of depression when taxpayers feel "poor." This is an economically wasteful policy because governments take men out of private industries when they are most needed there, and fail to absorb the labor surplus when millions of workers are released by private concerns on account of business depression.

That the provision of public construction in dull periods is possible may be seen from the funds that have been made available. Hundreds of millions of dollars worth of bonds have been sold by state governments during recent years for the purpose of providing road construction, several states making bond issues of from $40,000,000 to $70,000,000 for this purpose alone. In 1921 over $700,000,000 of municipal bonds were sold, the largest amount in the history of the nation. These, together with federal appropriations for reclamation projects, could have provided employment for hundreds of thousands of workers, yet comparatively little was done either by the states or federal government.

A few states and a number of cities have carried out a definite program of public construction in recent

[14] For a fuller account of this plan see the *American Labor Legislation Review*, Vol. XI, No. 1, March, 1921, pp. 53-58; and *Factory*, January, 1922, pp. 48, 49.

periods of unemployment. Communities appear to have maintained the same standards of wages, hours, and efficiency as are required for regular work performed for them. Rotation of workers has been introduced in such periods, workers being employed one week and laid off the next, or working in gangs for three days followed by a three-day lay-off. Preference is given to married men with dependents who are local residents, and in a few cases American citizenship has been a qualification. Cities are crippled in these activities by charter limitations on their borrowing power. The state of California made a commendable step in 1921, when its legislature enacted a law providing for "the extension of public works of the state . . . during periods of extraordinary unemployment caused by temporary industrial depression." The provision of similar precautionary measures by other states and municipalities is necessary in the interests of social welfare and for the maintenance of the self-respect of the workers who are jobless through no fault of their own.

6. *Regulation of Private Employment Agencies.*—No intelligent plan of unemployment relief can be administered apart from systematic organization of the labor market. Employment offices cannot create jobs, but they can be so organized as to eliminate the waste of time and money spent by the workers in passing from one job to another. Attempts to bring the manless job and the jobless man together are made by several types of employment services: (1) private employment offices which operate for profit and charge a fee for the service rendered to the workers; (2) religious or charitable organizations such as the associated charities, which furnish certain kinds of employment free; (3) trade unions which register unemployed members at headquarters and hold the business agent responsible for finding these men employment; (4) employers' associations which operate employment bureaus for a given trade or district; (5) public employment exchanges in which unemployed persons register and receive assistance at the expense of the government.

The main purpose of employment departments operated by charitable organizations is to provide work for the unemployed who are unable to fill ordinary positions, and for casual and migratory laborers. Employers and normal workers make very little use of these agencies. Trade union employment offices are usually operated for the particular members of the trade; unorganized and unskilled workers find no help in these schemes. Employment bureaus established by employers' associations are almost invariably run to introduce and maintain the so-called "open shop" or "antiunion shop," although they sometimes represent an honest endeavor to furnish an efficient medium for bringing the man and the job together.

The private fee-charging employment office, which is the most prominent agency for the recruitment of labor, has been almost universally condemned by students of industrial problems. This institution is an improvement over the disorganized conditions that exist when workers are allowed to go on wild-goose chases in response to the fake advertisements of "help wanted" that frequently take up so much space in metropolitan and town dailies, or the false tips and rumors dropped in saloons and on street corners. But it is an institution that stands condemned from practically every point of view except that of the unscrupulous profiteer. These agencies sell jobs for fees collected from the workers or the employers, and sometimes from both for the same job. It is estimated that there are from 3,000 to 5,000 of these establishments in the United States, the number varying from year to year. Their chief interest is in profits and, therefore, in fees and not in service. Workers are shipped to overcrowded cities; vacancies are filled with workers already employed elsewhere, because in this way new vacancies are created and new sources of fees are tapped; the charges for jobs are such that men are deprived of information about work when they need it most, the fee being as low as 25 cents in the summer when employment

is abundant, and ranging from $2 to $10 for common jobs in periods of unemployment.

Fraudulent and extortionate practices are common among private fee-charging agencies. There is frequent misrepresentation of terms and conditions of employment, such as promises of higher wages than are actually paid, of desirable working and living conditions when in fact no such pleasant conditions are provided, and of free transportation when these charges are not made good by the employer. Men are not informed of strikes, lockouts, deductions from wages, and numerous other things that detract from the value of the job. Unemployed men are often sent long distances, made to pay fees and transportation, only to discover upon arrival that no employer in that locality has ordered men from the employment office. Then there is the despicable practice of "splitting fees" with foremen and superintendents. These executives agree to employ the men from a certain agency, in return for which they receive from one-fourth to one-half of every fee collected, so that it becomes profitable to discharge men in order to secure fees from those who are hired to fill the vacancies. Under this practice the "three-gang method" is often found on railroad and construction work; one gang on the job, another going to the job, and still another coming from the job. Employers are to blame when they order men from several agencies and thus keep a stream of applicants coming to the plant for whom they have no work. This gluts the labor market and depresses wages and, even though it may appear to be a profitable business for the employer, it is, nevertheless, a flagrant breach of the lowest standard of ethics.

Efforts have been made to protect unemployed workers against the numerous evils that arise under the system of private fee-charging employment agencies. The majority of the states have regulatory legislation which requires the deposit of a bond of from $100 to $500 or the payment of a license fee of from $10 to $100, according to the size of the city in which the agency is located. Among other requirements are the location of employment

offices on respectable premises, the return of the fee when no employment is found, and the keeping of records that must be submitted to the commissioner of labor. Regulatory legislation has not been successful in eliminating the evils that appear in the system, and the movement for public employment exchanges has been widely endorsed. Total abolition of private employment agencies is urged. In support of this demand it is pointed out that in one state alone—California—the total fees paid to private employment agents amounted to $403,000 in 1912, and that on the basis of this experience the total amount paid annually by the workers in fees is about $15,000,000, a sum that is paid chiefly out of the meager earnings of domestic servants, clerks, and unskilled laborers. Such an amount, it is contended, is sufficient to maintain a system of public employment exchanges with immeasurable benefit to workers and employers.[15]

7. *Public Employment Exchanges.*—Considerable progress has been made in the United States towards establishing a system of national, state, and local public employment offices. Ohio, which passed a law in 1890, was the first state to provide a public employment service. Montana followed in 1895, and New York in 1896, but these statutes were repealed later.[16] Within the next two decades twenty-five states and about fifteen cities established and operated nearly one hundred employment exchanges. Insufficient appropriations have crippled the work of these agencies, and employers have often opposed them. The opposition of employers has diminished where the law provides boards of control consisting of representatives of employers, employees, and the public. The failure to advance transportation money and to establish a central clearing house of information has also impeded activities. Often the law restricts operation of such offices to large cities, and this has deprived smaller communities of a much-needed service. The Illinois public employ-

[15] U. S. Commission on Industrial Relations, *Final Report*, 1916, p. 110.

[16] Commons and Andrews, *Principles of Labor Legislation*, 1920 ed., p. 297.

ment service was improved in 1921 by a law which provided for the establishment of exchanges in towns as well as in cities, the population requirement being reduced from 50,000 to 25,000, and made possible the establishment of four instead of three branch offices in connection with the central offices in cities whose population is one million or over. One of the chief objections to some state employment systems is that the offices are manned by political appointees who are not particularly fitted for the work.

The United States Employment Service began in 1907, as an attempt of the federal government, through the Bureau of Immigration, to place immigrant labor on the farms. For ten years there were less than one hundred branches, mere desks in the immigration offices. In 1915 the service was extended to include all occupations and all classes of labor. Emergencies incident to the World War forced the Secretary of Labor, on January 3, 1918, to create a separate employment service. Reorganization was made possible by a grant of $2,000,000 from the President's emergency fund. The service was directly under the control of the Secretary of Labor. State, county, and municipal offices throughout the nation were coördinated under the authority of the United States Employment Service, but did not lose their identity. Federation rather than consolidation was sought. Several divisions were created, and to aid in recruiting labor a system of state advisory committees, community boards, and state organization committees comprising representatives of employers, employees, and the federal service was introduced.[17]

An idea of the success of the reorganized federal service may be gathered from the fact that between January, 1918, and June, 1919, the service received calls for 12,104,184 workers; registered 7,133,831; referred 6,470,516 to positions; and reported 4,976,320 placements. Ap-

[17] For a more detailed discussion of the reorganized service see the author's *Labor Problems and Labor Administration in the United States During the World War*, pp. 176-205.

proximately 10,000 persons were placed each working-day for the eighteen-month period, without any charge to the workers and at a cost to the nation of only $1.34 per placement. The saving in fees to the men and women placed by the coöperative efforts of federal, state, and municipal offices is estimated at not less than $10,000,000, while many more millions were saved in hours of labor gained by minimizing the time lost on the part of workers between jobs, and in reducing labor turnover.

All kinds of workers were directed to positions by the service, from common laborers and domestic servants to high-salaried professional and technical experts. It was not uncommon for a $1,800 examiner to place a $15,000 engineer or executive. Women constituted 20 per cent of all the workers placed, many of them finding desirable positions in industry, commerce, and the professions. College-trained women in large numbers were placed by the coöperation of the service with alumnae associations. Of the almost five million placements, common labor constituted only 23 per cent; the remaining 76 per cent comprised skilled workers and other persons engaged in specified occupations. It is interesting to note that in determining the average cost of $1.34 per placement, all the cost of building up and equipping the service was included, items which in the financing of private corporations would be considered permanent investments not chargeable to operation.[18]

About one thousand branch offices with a personnel of 6,000 were planned for the fiscal year 1919-1920, and an appropriation of $4,634,000 was asked for this purpose, but Congress granted only $400,000. It was contemplated to reduce the organization of the service to a skeleton beginning March 22, 1919, but generous financial assistance from state, municipal, and community organizations helped to maintain the enlarged service for several months. In the autumn of 1919 the service was again limited to the function of giving out information to local

[18] Seventh Annual Report of the Secretary of Labor, 1919, pp. 292, 293.

public employment offices. As far as funds would permit, the service continued to coördinate the work of employment offices in the twenty-five states and fifteen municipalities having such public agencies, and to make monthly unemployment surveys, but the lack of appropriations destroyed the effectiveness of the federal service in the critical unemployment period of 1920-1922. Moreover, several states reduced the number of public labor exchanges in the same period because of lack of funds. Considerable pressure was used by selfish employers having great political influence to destroy the reorganized federal service because it interfered with the activities of corporation employment bureaus. The United States must eventually establish a comprehensive federal employment service whose activities will be coördinated with the public offices of the various states and municipalities, thus making private agencies unnecessary. The President's Conference on Unemployment which met in the fall of 1921, and numerous other bodies have recommended the extension of the service.

Great Britain was the first European nation to create a coördinated national system of labor exchanges, having taken this step under the provisions of the Labor Exchanges Act of 1909, which authorized the Board of Trade to establish employment exchanges throughout the United Kingdom. The whole kingdom was divided into districts, each being supervised by a divisional director. There are six districts for England and Scotland, one for Wales, and one for Ireland, and during the World War many regional clearing houses were created. Exchanges are found in every important town of the division, and they are in telephonic communication with each other and with the central office in London. In 1917 the newly created Ministry of Labor assumed charge of the system. Advisory committees, consisting of an equal number of employers and employees and other persons nominated by the Ministry of Labor to represent various additional interests, are appointed to aid in the administration of one or more exchanges.

Under the British system loans are granted to workers to enable them to travel to localities where employment has been found for them through an exchange. Persons not insured under the unemployment insurance act are required to repay these advances in full, while insured persons repay only a certain percentage. During 1920 more than 19,000 railway tickets were issued to workpeople at a cost of more than $75,000; in 1921 over 8,000 tickets were issued at a cost of more than $30,000, two-thirds of which was repayable to the government. Transportation expenses are not advanced unless the distance to the job is more than five miles, nor to plants where a strike is in progress or where the wage scale is below the current rate.

Applicants are not discriminated against or refused further assistance if they decline employment in an establishment where there is a trade dispute or where the wages offered are less than the scale prevailing in the locality for the same kind of work. The total number of persons on the "live registers" of British employment exchanges on December 30, 1921, was 1,886,000, of whom 1,451,000 were men, 334,000 were women, and the remainder boys and girls. There are special advisory committees for juvenile applicants that direct them into proper employment and coöperate with the school authorities in the work of vocational guidance for youthful workers. The total number of registrations, including reregistration of the same individuals, between 1910 and 1921 inclusive, was over 37,000,000, or a yearly average of about 3,083,000. During the same period the total number of vacancies reported by employers was 13,680,446, or an average of about 1,140,000, while the total number of vacancies filled was more than 10,000,000, or a yearly average of about 833,000. In one year alone—1921—the number of registrations was more than 9,000,000, while over 1,000,000 vacancies were reported and about 842,000 vacancies filled.

Other European countries have not taken such an advanced step as Great Britain, but some provisions have

been made for the distribution of the labor supply. Public employment bureaus are subsidized by the central government in several countries. Germany, which has several hundred such bureaus, has attempted to coördinate and unify these offices through a central employment bureau. In 1913 Denmark created a system of state subsidized offices with centralized supervision. Subventions had been granted recognized offices for several years before that (since 1907). In December, 1921, an act was passed which provides for the coördination of unemployment societies, employment exchanges, and emergency works under a single official called the director of labor. Unemployment insurance is also provided, but benefits are not paid to workers who refuse to accept employment offered them because the wage is below their previous wages, provided that the wage is not lower than that usually paid in the industry and district for similar work. This act became effective January, 1922.

8. *Unemployment Relief.*—Charity, as a means of relieving the suffering caused by unemployment, is universally condemned except in special cases. Bread lines, soup kitchens, and unemployment doles of any kind are to be discouraged, since indiscriminate giving to able-bodied persons has deleterious effects upon individuals and society. Municipal lodging houses are often provided for single men, but a certain amount of work is required of every individual who is thus aided. Odd jobs and workshops are means of caring for unemployed persons when no other sources of work are available. Workers want employment, not charity.

9. *More Conservative Regulation of Credit.*—If, as is often contended, overexpansion of credit is the basic cause of business cycles and fluctuations of employment, it is necessary that a more conservative policy of credit extension be introduced. Obviously, this step depends upon the banks. In periods of industrial activity when business men ask for large amounts of credit to provide extensions necessary in order to get a full share of the abnormal market, artificial limitations must be imposed on borrow-

ing. In the absence of such restriction enterprisers will expand their business beyond the requirements of normal demand and bankruptcy or curtailed production is inevitable. The Federal Reserve System can be used effectively as a regulator of credit. In periods of business activity interest rates can be increased to a point that will discourage excessive borrowing, and in periods of slow demand rates can be reduced to encourage recuperation of production.

Conclusions.—The only cure for unemployment is employment, and it is necessary to eliminate the causes that produce seasonal variations and periodical business depressions in order to stabilize production and work. The various methods of relief are palliatives, not remedies. Unemployment is at the bottom of much of our economic and social waste, and it is socially expedient that an earnest effort be made to solve this greatest of all industrail problems. In the words of the Secretary of Commerce: "There is no economic failure so terrible in its import as that of a country possessing a surplus of every necessity of life in which numbers, willing and anxious to work, are deprived of these necessities. It simply cannot be if our moral and economic system is to survive."[19]

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CHAPTER XII

LABOR TURNOVER

Definition.—Labor turnover is the change in the industrial personnel of a given establishment resulting from the hiring and termination of employment. It refers to the total number of laborers employed by a plant in a given period to take the place of employees who for one reason or another have severed their connections with the company. This process of shifting in an organization's working force includes all quits, discharges, and lay-offs.

As a problem, labor turnover has attracted wide attention in the United States and Europe only within the last few years. Employment managers and others intimately associated with labor difficulties have finally recognized the serious implications of an unnecessary flux in the labor force. Excessive hiring and firing is now viewed as bad industrial practice, conducing to industrial inefficiency and demoralization of the nation's labor supply. A certain amount of labor turnover is inevitable. Thousands of workers leave their jobs because of chronic illness, accident, death, the acceptance of better positions elsewhere, starting in business for themselves, emigration, or some other reason. The serious aspects of the problem develop from unscientific, careless, and autocratic policies and methods of hiring, placement, and discharge.

The Extent of Labor Turnover.—The problem of unemployment, which was discussed in the preceding chapter, is aggravated by the unsteadiness of employment caused by deficiencies in the administration of industrial personnel. The extent of labor turnover in American industries cannot be stated exactly, because complete statistical evidence is not available. Sufficient information exists, however, to make clear the magnitude of the problem.

A labor turnover of 300 per cent per annum is common in normal times for many enterprises. This means that for every job to be filled three workers have to be hired within a year. The total working force of the United States is over 42,000,000, about 31,000,000 of whom may be classified as employees. A turnover of 300 per cent would mean that there are over ninety million vacancies in American industries annually. Specific examples of labor turnover support these general estimates. An investigation of the cloak and suit industry in New York showed that 4,000 workers had been hired to maintain an average working force of 1,952 in certain occupations for the year; more than a complete turnover of the force. A large steel plant employing about 15,000 men hired an equal number to maintain the force, while an automobile company hired, in 1912, 21,000 employees to maintain an operating force of 10,000. From October, 1912, to October, 1913, the Ford Motor Company hired 54,000 men to keep an average working force of 13,000, which represented a labor turnover of over 400 per cent. The labor turnover of fifty-seven Detroit plants in 1917 averaged 252 per cent.[1] During the war a turnover of 500 per cent was not uncommon in some industries, and in some cases the abnormal figure of 1,000 per cent was reached.

The Nature of Separations.—Termination of employment may be the result of voluntary quits, discharges, or lay-offs. Numerous studies of labor turnover suggest that the great bulk—about 70 per cent—of all separations from employment consists of voluntary withdrawals. Generally speaking, periods of industrial prosperity are characterized by a relatively low percentage of lay-offs, while periods of industrial depression are characterized by a relatively high proportion of lay-offs to total separations. The discharge rate is subject to less extreme fluctuation than the lay-off rate, constituting from year to year a fairly consistent proportion of the total separations

[1] *Annals of the American Academy of Political and Social Science*, Vol. LXV, pp. 130, 144.

from employment. In periods of prosperity the workers enjoy a position of independence, since at such times labor is relatively scarce and employment is not difficult to find. Employers bid against each other for men, and varying wage scales cause a constant shift in the personnel. On the other hand, in periods of industrial depression the demand for labor diminishes, industries shut down, and wholesale discharge of men ensues. Thus the rate of turnover is highly sensitive to changing conditions of production.

Computation of Labor Turnover.—There is no general agreement on methods of measuring labor turnover. The percentage of labor turnover for a given period is the ratio of the total number of employees who have severed employment relations with the company to the average number on the employee force for the same period. Attendance records for each day will give the number of employees on the force. To compute the turnover of labor in a given period, then, one must determine the number of separations, that is, the number of persons who left the employ of the company, and divide this by the average number working each day. If the annual percentage of turnover is desired it can be found by multiplying by the proper factor.

The formula would be:

$T = \frac{S}{F}$, with S = separations, and F = average working force. Specifically, the procedure in computation might be illustrated as follows:

Total separations for the week = 500

Daily working force:

Monday	= 1,000
Tuesday	= 1,200
Wednesday	= 900
Thursday	= 900
Friday	= 1,000
Saturday	= 1,000
	6,000

Dividing by 6 gives an average working force of 1,000 for the week. Then, $\frac{500}{1000} = 50$ per cent per week. For the year:

$$\frac{500}{1000} \times 52 = 2600 \text{ per cent.}$$

This would mean merely that on the basis of the specific week for which the turnover was computed the percentage of turnover for the year would be 2600 per cent. This, of course, would be an abnormally high rate of turnover. To secure accurate computation for the year it would be necessary to secure the data for each working week.

The obvious objection to this simple method of measuring labor turnover is that it indicates nothing as to the nature of separations. All separations from the service of the company may be generally classified into "avoidable" and "unavoidable," a fact which has led some writers to revise the foregoing formula to take into account the nature of separations.[2] Whatever formula may be adopted, there will doubtless always be a great many variations in its use owing to the necessity of discovering the major and minor causes of turnover.

Any method of measurement used in determining labor turnover for the plant can be applied in discovering the respective rates for departmental, occupational, or other subdivisions of the employee force in the establishment. Similarly, the turnover of men and women and youthful employees can be compared, as well as the turnover of respective age groups. The measurement of labor turnover aids materially in discovering the causes of labor unrest and is valuable as a critical examination of the labor policies applied by the management.

The Causes of Labor Turnover.—Many of the causes of labor turnover have already been suggested in our discussion of the problem of unemployment. No general classification of these causes has been made and any attempt here must be regarded as more or less incomplete, offered in the spirit of suggestion rather than of dogmatic certainty.

[2] Tead and Metcalf, *Personnel Administration*, Chap. XX.

The nature of separations—voluntary withdrawals, discharges, lay-offs—has sometimes been treated as the causes of labor turnover. This is an unwarranted confusion of the character of the elements in labor mobility with those far more fundamental conditions that produce it. Voluntary withdrawals, discharges, and lay-offs indicate the nature of separations from the plant's service in a given period, but tell nothing about the conditions inside or outside the plant which are responsible for the constant shift in the labor force.

The causes of labor turnover may be classified roughly as follows:

- **1. Personal**
  - (1) Physiological
    - (*a*) Illness—including constitutional weakness of the worker himself, and sickness among members of his family.
    - (*b*) Death.
  - (2) Psychological
    - (*a*) Migratory habits or wanderlust.
    - (*b*) Uncongenial disposition or bad temperament.
    - (*c*) Family and friendly ties.
    - (*d*) Desire for personal betterment, including going into business for oneself or changing occupations.
- **2. Industrial**
  - (1) Deficiencies in personnel policy and industrial administration
    - (*a*) Poor methods of selection and placement.
    - (*b*) Lack of proper or adequate financial and nonfinancial incentives.
    - (*c*) Unfavorable conditions of work, such as excessive hours, lack of sanitation, etc.
    - (*d*) Unregulated production.
    - (*e*) Autocratic management.
  - (2) General and external industrial conditions
    - (*a*) Changing demands of the public.
    - (*b*) General inequality in wage scales.
    - (*c*) Business depression.
- **3. Social**
  - (1) Lack of transportation facilities.
  - (2) Absence of adequate means of communication, such as telephones, newspapers, etc.
  - (3) Inadequate housing facilities.
  - (4) Absence of recreational opportunities.

1. *Personal Causes.*—These are reflected in the characteristics and temperament of the employee, and thus have their origin within the individual. Physical characteristics are always a factor in labor turnover. Death of employees, brief or prolonged periods of illness, voluntary withdrawals, and necessary discharge will continue as practically uncontrollable factors in separation from service. Employees will continue to seek more congenial climate and industrial conditions so long as old conditions conduce to the ill-health of themselves or their families. The psychic elements include the mental characteristics of the individual employee. By virtue of temperament many workers are migratory and restless, possessing an insatiable wanderlust, and many more lack the ability to coöperate with their fellows. These "migrants" or "casuals" make up the army of workers who reap our harvests in the summer and fall, cut our ice and lumber in the winter, and make possible much of our construction work in the spring and summer. The roving disposition of sea-going employees is a large factor in the excessive labor turnover in navigation.

These psychic elements have a peculiar significance in the determination of excessive labor turnover among juvenile employees. Temperamentally, children are restless. Youth is optimistic, confident, and indifferent to the consequences, economic and social, that may develop out of excessive mobility. A change of jobs is looked upon as a thing good in itself, strikes are welcomed as a means of furnishing excitement and a chance to loaf or play, and the least margin of higher wages elsewhere is sufficient provocation for a "move." Regular employment is viewed as monotonous. The Board of Education of Rochester, New York, discovered that boys between the ages of fourteen and sixteen changed employment on the average every seventeen weeks, which indicates a turnover of 300 per cent. Statistics from Indianapolis, Indiana, indicate that of 6,710 positions held by children on leaving school, 7 per cent were for less time than two weeks; 15 per cent for less than a month; 30 per cent for

less than two months; and 48 per cent for less than three months.

Another element that enters into the personal causes of labor turnover may be summed up in the phrase "the desire for gain." Laborers, like capitalists, landlords, and business enterprisers, are constantly seeking the level of maximum returns on the investment. The laborer's investment consists of his labor-power, and he will naturally endeavor to command the highest available rate of return. This explains why voluntary quits usually constitute the major portion of separations from service. Then, too, there is a constant shifting into new occupations, including farming.

2. *Industrial Causes.*—Industrial causes of labor turnover are attributable to certain deficiencies in the organization and operation of industry. Inefficient employment policies refer to the very unscientific, haphazard methods of hiring and firing that have prevailed in industry. This important duty has hitherto been placed under the jurisdiction of the foremen who, although they possess a knowledge of technical processes, have not been competent in the art of handling human nature. Employment departments and employment managers are recent additions in most industries. The absence of proper incentives refers to poor methods of transfer and promotion, and the failure to compensate efficient employees. By autocratic superintendence is meant the all too common assumption and exercise of despotic power on the part of superintendents, foremen, and other officials. A high rate of turnover is inevitable where officials give expression to autocratic temperament in unwarranted fault finding and spontaneous firing of employees. Foremen are likely to have personal likes and dislikes and religious or racial prejudices which often result in the promotion of inefficient over efficient workers, or the hasty discharge of deserving employees.

Unstabilized production grows out of the failure of many concerns to regulate their production by distributing orders properly. Regulation and stabilization of production have been accomplished by encouraging the trade to

place orders more evenly throughout the year. Insufficient wages, excessive hours, and poor conditions of employment, such as the lack of toilet facilities, improper ventilation, the absence of rest rooms and lunch rooms, etc., drive away employees. Inequality in wage scales stimulates labor mobility; workers tend to move to the industry having the most favorable wage scale.

3. *Social Causes.*—These have reference to the inadequacies of what may be termed the social environment of industry and business. The inadequacies consist of the lack of transportational facilities, such as street car service to and from work; the absence of sufficient means of communication, such as telephones and newspapers; inadequate housing facilities; and the absence of recreational and social opportunities, such as parks, dance halls, libraries, etc. These causes are social in the sense that they develop out of community conditions rather than from conditions over which the employer has full control. Employers who have recognized the relation between these conditions and labor turnover have begun to provide such facilities either by themselves or with the coöperation of the community.

Skill and Sex in Relation to Turnover.—No general quantitative measurement of the relative stability of skilled and unskilled labor is available, but the limited evidence of particular studies indicates that turnover is greater for the latter than for the former group. The proof is fairly conclusive that rates of lay-off, discharge, and quits are each higher for unskilled than for skilled workers, the total separation rates often being 200 per cent for skilled and 400 per cent for unskilled. About the same relation is shown between the two kinds of labor in the three types of separation, which indicates that skilled workers are twice as stable as semiskilled and unskilled workers.

There are very definite reasons for this disparity in the turnover of skilled and unskilled workers. The difference may be generally ascribed to the higher wages of skilled labor and the fact that both in periods of industrial pros-

perity and of depression the employer is reluctant to release the best-trained workers whom he may have difficulty in replacing. The dearth of skilled labor thus serves not only to maintain an adequate price for it, but also to provide greater regularity of employment. Moreover, skilled workers are likely to be a more settled and more generally intelligent class than the unskilled, facts which explain why, in place of frequent migration from job to job and place to place, skilled workers seek advancement in their own line of work in the same plant or the same locality.

Still other factors enter into the relatively larger turnover of unskilled labor. Skilled workers are usually organized more effectively than unskilled workers, so it is easier for them to secure more favorable conditions of employment. This results in a greater degree of contentment among skilled laborers, who have usually been the first to obtain higher wages, shorter hours, and improved conditions of work. The relative scarcity of skilled workers is the condition responsible for their greater effectiveness in bargaining power. Common, unskilled labor is, as a rule, not difficult to replace, while skilled labor is not easy to secure. It is not strange, therefore, that the rate of discharge is greater for unskilled than for skilled workers. In periods of business and industrial prosperity even unskilled labor becomes relatively scarce; employers must take what they can get and careful selection is not possible. Consequently, the unskilled labor force is recruited from the class of workers known as "migrants" or "floaters" who, as these terms suggest, do not remain long at any one job, and the percentage of labor turnover is increased.

Reliable investigations of labor turnover throw very little light upon the relative stability of men and women workers. Much of the information was gathered during the abnormal period of the World War when the rate of turnover for men was inevitably higher than for women because of military service and the general substitution of female for male workers. The consequence was that

the rate of separations for men was frequently four times as great as for women.[3] There is every reason to believe that even in normal periods female labor is more stable than male labor. Several factors account for this. Women are less independent industrially than men because of a conspicuous lack of organization and skill among them. Moreover, comparatively few women join the ranks of the migratory workers. General social and industrial stigma is attached to migratory women workers, a fact which lessens their mobility. It should not be forgotten, however, that labor turnover among women is accentuated by marriage when, unlike men, they leave the employ of the company.

The Economic Waste of Labor Turnover.—It has been demonstrated conclusively that labor turnover entails an enormous waste. Not only does this flux in personnel conduce to economic inefficiency and social degeneration, but these in turn produce labor turnover. Excessive frequency of migration of workers, whether it be from one plant to another or from one occupation to another, furnishes no real benefit or gain to laborers, and is expensive for both the employer and the nation. A certain amount of turnover may be a healthy protest against unfavorable working conditions, but the necessity of even this percentage of turnover conduces to economic waste which should be avoided whenever possible.

From a financial standpoint, the employer's additional costs on account of labor turnover may be summarized as follows: the clerical cost incident to hiring and firing; the cost involved in the instruction of new employees by foremen and assistants; increased breakage and wear and tear of machinery and equipment by new workers; reduced rate of production inevitably resulting from the employment of new workers who must learn the methods and processes of a new job; and increased quantity of spoiled work by new employees.

The cost of labor turnover per man will vary with the amount of previous training, the amount or degree of

[3] *Monthly Labor Review*, December, 1919, p. 142.

skill required by the job and possessed by the new worker, and the natural aptitude and adaptability of the laborer. Some employment managers estimate the cost of breaking in a new worker at an average of $30 per man, while others put it anywhere from $50 to $300 per man. Most estimates range from $50 to $100 for each new employee. In an investigation of labor turnover in twelve plants several years ago, the annual unnecessary expense of engaging 22,031 employees in one year was stated to be from $831,030 to $1,000,000.[4] The annual expense to the Ford Motor Company on account of the 400 per cent or more labor turnover already referred to exceeded $2,000,000. At an average cost of $40 per employee the total annual expense of labor turnover in 20 firms whose employment records were examined would be $1,760,000, or an average of $88,000 per firm. Conservative estimates put the total annual cost of labor turnover for the United States as a whole from $100,000,000 to $200,000,000. "This constant flux and change in industrial organizations represents a tremendous hindrance to production and to profits. It signifies a heavy investment—rather expense—for unproductive effort. It is an outgo that bears little or no relation to output."[5]

The Social Aspects of Labor Turnover.—Labor turnover is a problem that concerns chiefly the employer, and whatever remedies may be forthcoming will have to come mainly from the employing group. This does not mean, necessarily, that the problem has no social phases. If labor turnover tends, as it inevitably must, to cause economic dependency and social delinquency, society is vitally interested in the eradication of the complex causes that produce so serious a problem. Excessive labor mobility in its various aspects encourages idleness, idleness is reflected in economic insufficiency, which in turn forces the victim to rely upon charitable sources for maintenance, or leads him to adopt antisocial, delinquent

[4] See article by Magnus W. Alexander, *The Annals of the American Academy of Political and Social Science*, Vol. LXV, p. 138.

[5] U. S. Department of Labor, Training Service, Bulletin No. 5, 1919, p. 5.

methods of support. The problem is one in which not only the individual employer, but the individual employee, and the community should be concerned. The social cost of such a problem cannot be measured in monetary values.

Methods of Reducing Labor Turnover.—While it may not be possible, under our present methods of production and distribution, to eliminate altogether labor turnover, much can be done to prevent the enormous economic and social cost. The suggestions advanced for the reduction of labor turnover include: the establishment of a centralized and specialized employment department to assume full control of employing, handling, and discharging workers; a proper system of apprenticeship and methods of promotion; a more careful selection and placement of employees; job analysis, by means of which information may be secured concerning the physical and mental capacities required by specific jobs; improved labor standards; special inducements for continuous service, such as profit-sharing, bonuses, and stock distribution; improvement in living and housing conditions; regulation of production; establishment of amicable relations between the heads of departments and their employees; organization of plant committees composed of representatives of employers and employees; and establishment of a welfare department.

Constructive labor policies such as the ones just enumerated have stabilized the labor forces in many establishments, with immeasurable benefits to the corporation, the workers, and the community. The Saxon Motor Company, during the first year of operation of its employment department, reduced its labor turnover 140 per cent. From October, 1912, to October, 1913, the Ford Motor Company hired 54,000 men to keep an average working force of 13,000, while from October, 1913, to October, 1914, the company hired only 7,000 men to maintain an average employee force of 17,000. Eliminating the 4,000 employees who were added to build up the permanent working force, these data mean that only 3,000 men were hired to keep up the same force of 13,000 men. These figures indicate that turnover was reduced from more

than 400 per cent to only 23 per cent. Nine months of profit-sharing was said to be the factor responsible for this reduction of wasteful mobility of labor. The improvement represented a saving to the company of at least $2,040,000, a return of 24 per cent on a profit-sharing bonus which was intended as a free gift.[6] Swift and Company recently spent over $150,000 in putting its five thousand foremen through a course of training designed primarily to teach them how to handle their men so as to increase industrial goodwill and reduce labor turnover. The results have been very satisfactory, and not a single official denies that this expenditure was good business. These experiences could be duplicated from a vast number of American companies that have a definite, constructive labor policy, adequate, centralized employment machinery, and systematic and continuous employment records. Whether in periods of industrial prosperity and price inflation or in periods of business depression and price recession, the reduction of labor turnover is sound business policy.

Conclusions.—Labor turnover stands out as one of the glaring deficiencies in our industrial organization and operation, entailing immeasurable economic and social waste, and conducing to industrial and social demoralization. Moreover, the effects of labor turnover are cumulative, in that they breed additional labor mobility, which in turn results in inefficiency and further labor turnover. The problem is not purely an industrial one but has certain social aspects which command the interest and interference of society. Recognition of the problem of labor turnover augurs much for its rapid voluntary reduction by employers, who are already instituting many remedies. Excessive labor mobility is attributable to specific causes which must be eliminated before a solution is possible. The problem of labor mobility in America is aggravated by the seasonal character of many of our industries and the presence of a large migratory laboring population.

[6] Boyd Fisher, *Annals of the American Academy of Political and Social Science*, Vol. LXV, p. 144.

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CHAPTER XIII

IMMIGRATION

Immigration in Relation to Population.—Immigration has always been an important factor in the development of new countries. As Professor Lescohier has pointed out, "human population tends to flow from poorer environments into better ones and will do so as long as there are marked inequalities of welfare in different lands"; it is a part of a world process of social equilibration which is a law of life as real as the law of gravitation.[1] The desire to achieve economic betterment is irrepressible, and immigration will continue to be a primary source of population for new countries. The nature of human migrations has changed considerably. Whereas early migrations were made by organized groups, the population movements of recent centuries have been preëminently movements of individuals, or at most of families, except minor group migrations of religious sects, as the Moravians.

In the United States the immigration problem has developed from the polyglot racial elements and the divers standards of life and civilization which the different races and nationalities have brought with them. One of the outstanding characteristics of the population of the United States is its heterogeneity, a condition which has made it extremely difficult to develop national unity and national institutions. In 1920, for example, our population of 105,710,620 comprised 94,820,915 whites; 10,463,131 negroes; 244,437 Indians; 61,639 Chinese; 111,010 Japanese; and 9,488 miscellaneous racial groups. Of the total native white population of 81,108,161 in 1920, 58,421,957, or 72.03 per cent were born of native parentage; 15,694,539,

[1] *The Labor Market*, pp. 3, 7.

or 19.35 per cent, were born of foreign parentage; and 6,991,665, or 8.62 per cent, were born of mixed parentage. Foreign-born whites numbered 13,712,754, constituting 15.72 per cent of the total white population. Thus, at the present time, almost thirty million people in the United States, or approximately 31 per cent of the total white population, are either foreign-born or born of foreign parentage.

History of Immigration in the United States.—The American colonies were settled originally by groups of ambitious individuals from the United Kingdom, largely from England. Other nationalities, chiefly French, Swedes, Dutch, and Germans, contributed about one-fifth of the population of the colonies in 1775. The early settlement of the United States was exceedingly slow, on account of the severe hardships that were incidental to the primeval conditions of the New World. Not more than 250,000 persons came to this country between 1776 and 1820. The following table indicates that in the one hundred years—1820 to 1920—the United States received almost 34,000,000 immigrants, about 70 per cent of whom have come since 1881 and 43 per cent since 1901.

IMMIGRATION TO THE UNITED STATES, 1820–1920, BY DECADES.

Period	Number of Immigrants	Percentage Distribution
1820–1830	151,824	.45
1831–1840	599,125	1.78
1841–1850	1,713,251	5.09
1851–1860	2,598,214	7.72
1861–1870	2,314,824	6.88
1871–1880	2,812,191	8.36
1881–1890	5,246,613	15.59
1891–1900	3,687,564	10.96
1901–1910	8,795,386	26.13
1911–1920	5,735,811	17.06
Total	33,654,803	100.00

The periods of maximum immigration to the United States have coincided roughly with periods of industrial activity. Certain high levels stand out noticeably. In

1854 the number of immigrants reached a total of 427,833, then declined with some variation to 1862 when only 72,183 arrived. This period was followed by a more or less regular increase until the high peak of 459,803 was reached in 1873, after which there was a rapid decline to only 138,409 in 1878. Following 1878 the tide of immigration rose with unprecedented rapidity until 1882, when 788,992 alien persons came to our shores. The influx was irregular until the maximum of 857,046 was reached in 1903. Subsequent to 1903 immigration continued at a high rate, the period ending with the unprecedented number of 1,285,349 in 1907, which remains the highest figure in the history of American immigration. After a decline of a few years, a revival took place in 1910, when 1,041,570 immigrants arrived. After dropping to 838,172 in 1912, the immigrant tide registered 1,197,892 persons in 1913, and 1,218,480 in 1914. The outbreak of the World War caused a rapid falling off in our immigration, the total number of arrivals during the years 1915–1918 inclusive being only 1,031,547, or a yearly average of only 257,887. Since 1918 the immigrant tide has gradually been approaching its prewar level, the numbers being 141,132 in 1919, 430,001 in 1920, and 805,228 in 1921.

Statistics of immigration do not represent a net gain to a country's population, since each year finds a large number of aliens returning to their home lands. In periods of industrial depression the volume of emigration is significant. Thus, in 1908, a year of business depression, the alien immigration was 782,870, while alien emigration reached a total of 395,073, the net gain to our population through immigration being only 387,797. Between 1900 and 1921 the total number of immigrants was about fifteen millions, while the net addition to our population was approximately eleven millions, which would indicate that the net addition to our population through immigration was about 70 per cent of the total alien immigration. This means that a majority of our immigrants come to seek permanent homes and not for temporary employment in prosperous periods. "Birds of

passage," about whom so much has been written, constitute a far less important element in our immigrant problem than some writers suppose. A large number of those who return to their native lands sojourn there only a little while, then come back to the United States to make permanent homes, bringing with them relatives or friends who help to swell the tide of our immigration.

Causes of Immigration.—The desire for economic betterment, political oppression, religious persecution, and numerous other factors have been responsible for the movement of population to the United States. From every corner of the Old World restless, ambitious, dissatisfied individuals have journeyed westward to seek refuge from undesirable conditions. The Pilgrim Fathers, Armenians, Russian and Roumanian Jews, the Scotch-Irish, and numerous other peoples came to this continent in search of religious and political freedom. The unsuccessful revolutions in Europe during the decade of the forties forced their exponents to cross the Atlantic to escape political punishment. With the exception of Jewish immigrants from certain European countries and a considerable number who have come to escape the political chaos of Europe following the World War, immigration from religious or political causes is now relatively unimportant.

Immigration must be explained largely in terms of economic conditions. Periods of industrial prosperity and business expansion are accompanied by a rapid rise, and periods of business depression by a decline, in immigration. The business and financial disturbances of 1873, 1893, and 1907, for example, were followed by marked declines in immigration, but the subsequent periods of industrial prosperity stimulated the influx of aliens. The immigrant tide has ebbed and flowed with increasing sensitiveness to prevailing economic conditions, although there has been no perfect adjustment of immigration and emigration to the conditions of the labor market.

Wages and general conditions of employment in the United States have perhaps been the most potent influence in inducing immigration. The economic status of the

wage-earner is generally much less favorable in Europe than in the United States. This is especially true of unskilled workers, who constitute so large a proportion of our immigrants. The money wages of these workers in southern and eastern Europe, from which we receive about 80 per cent of our immigrants, are frequently not one-third as much as the wages for the same class of labor in the United States. Agricultural labor in Europe is very inadequately paid, employment is highly seasonal, and often the peasantry is unable to purchase land. In some parts of southern and eastern Europe the average wage of men engaged in common and agricultural labor has often been less than fifty cents a day, while in other sections the wage scale has been lower. Moreover, the low cost of living of these workers is attributable to their low standard rather than to the cheapness of food and other necessities.

The desire to escape military service is a primary cause of emigration from those countries where such service is compulsory. Military service interferes with the economic life of young men during the period of service, results in postponement of marriage, and interferes with the opportunity to accumulate a surplus. Under these conditions military duties become burdensome and Europeans have crossed the Atlantic to escape them.

Besides the primary or underlying causes of immigration, there are certain contributory or secondary causes which are responsible in part for the movement of aliens to the United States. Prominent among these secondary causes is the advice and assistance of relatives or friends who have already established themselves in this country. Through the medium of letters and personal visits from immigrants familiar with the more attractive conditions of the New World the economic opportunities of the United States are given wide publicity. In the countries of southern and eastern Europe each village or community has contributed its quota to our immigrant tide, chiefly because letters from friends and relatives have described the attractive wage scale and the opportunities

for employment in the new country. Returned emigrants who have achieved success and acquired some wealth in the United States dispense information freely, often with exaggeration, and so inspire whole communities to emigrate. Nearly all European immigrants admitted to the United States state that they are going to join relatives or friends, which is evidence of the importance of the advice of friends as an immediate cause of population movements to this country. On the other hand, information of industrial depression spreads quickly and our tide of immigration recedes.

Another important factor in inducing emigration is the effective propaganda disseminated by steamship ticket agents. Although technically illegal according to the laws of many European countries and the United States, this propaganda "flourishes in every emigrant furnishing country of Europe." Responsibility for these illegal solicitations of business is placed not upon the steamship companies but upon agents and subagents who find encouragement of emigration a profitable enterprise. Leading steamship lines have thousands of ticket agents in the various countries. Steerage business is very important to all lines operating passenger ships, and all compete for it. Promotion of emigration is quite general and, although many governments have prohibited its encouragement, devious ways have been found to evade the law. In order to increase commissions, agents distribute literature and highly colored posters portraying economic opportunities here.

Emigration from Europe to the United States through public assistance is relatively unimportant. At various times communities have been guilty of assisting emigration of public charges and criminals, but such instances are believed to be rare. European governments view with regret emigration of their young and able-bodied men and women, and comity of nations would tend to prevent deportation of criminals and paupers. Attempts to deport the physically and mentally defective would be futile, since they could not gain admittance. Previous

to the restrictive legislation in the United States, however, large numbers of undesirables and paupers were assisted in their emigration from the British Isles and other countries.

The Changing Character of Immigration.—Remarkable changes have taken place in the sources of immigration to the United States, a fact which is generally believed to have considerable influence upon the gravity of our problem. Two principal groups of European races or peoples are the primary sources of American immigration; namely, those indigenous to northern and western Europe, including the Dutch and Flemish, English, French, German, Irish, Scandinavian, Scotch, and Welsh; and those who come from southern or eastern Europe, comprising the Italians and Sicilians, Austrians, Hungarians, Russians, Poles, Syrians, Bulgarians, Greeks, Montenegrins, Portuguese, Roumanians, Servians, Spaniards, and Turks. The northern and western Europeans are referred to as the "old immigration," while the eastern and southern Europeans are designated the "new immigration."

Prior to 1883 fully 95 per cent of our immigrants were furnished by northern and western Europe, while more than 70 per cent of our recent immigration has been from the south and east of Europe. As the new immigration increased in volume the old immigration diminished. In 1882 western Europe furnished 86.9 per cent of our immigration, while eastern and southern Europe furnished 13.1 per cent. Only a small proportion came from the latter section until in the late eighties, there being 25 per cent for the first time in 1887. There was a rapid shift in the middle of the nineties, 54.7 per cent coming from the north and west and 43.2 per cent from the south and east, in 1895. In 1901 the percentage for the old immigration was 24.7, and for the new immigration 75.3, while in 1907 fully 81 per cent of our immigration was of the latter and only 19 per cent belonged to the former class.

The Irish came in largest numbers during the forties and fifties; the Germans in the fifties and eighties; and the English in the seventies and eighties. Not until

1900 did the Italians exceed the 100,000 mark, but their numbers increased to 285,000 in 1907 and in 1913. Likewise immigration from Austria-Hungary did not exceed 100,000 until 1900, but totaled about 338,000 in 1907 and in 1913. In 1914 only 10 per cent of the total immigration came from northern and western Europe, while from Italy alone came 23 per cent of the total and a similar percentage was furnished by Austria-Hungary. In that year Russia, including Finland, was the source of 21 per cent of our immigration. Thus it is evident that for many years prior to the World War the new immigration predominated. Moreover, the figures for 1921 indicate that this predominance will not be lost in the near future. Of the more than 800,000 immigrants arriving in 1921, the Italians numbered 222,496, or more than one-fourth, while the Greeks, Poles, and Czechoslovaks aggregated over 164,000, or about 11 per cent. At the same time the United Kingdom furnished less than 80,000 immigrants, or about 5 per cent of the total, and Scandinavia less than 23,000, or about one per cent of the whole.

The significance of this change in the character of our immigration is found in certain well-defined differences between the new and the old immigration. (1) The immigration from northern and western Europe was essentially one of permanent settlers, while the immigration from eastern and southern Europe comprises a considerable number who have little or no intention of establishing permanent homes in the United States, but who wish to accumulate a small fortune and then return home to live in what is considered there a state of affluence. It has been found that nearly 40 per cent of the new immigrants return to Europe, two-thirds of whom remain there and make permanent investments in their home countries. Between 1908 and 1920 thirty-six aliens left the United States for every one hundred admitted. There are some indications that the present Greek and Italian immigration represents a more permanent class than came prior to the war, but no definite conclusions can be made with regard to this. (2) The old immigration came to the

United States during a period of general development and was a significant factor in that development, while the new immigration has come in a period of great industrial expansion, making available an almost unlimited supply of labor. (3) As a class, the new immigrants are unskilled workers coming from countries where the highest wage is small compared with the lowest wage in the United States; the old immigrants came from lands where the wage standards were more favorable, although not so high as in this country.

In many other aspects the new immigration manifests interesting characteristics. Nearly 75 per cent of them are males, and about 83 per cent are between the ages of 14 and 45—the ages of productivity rather than dependence. They bring little money into the country and send no small proportion of their earnings to their native lands. More than 35 per cent of the new immigrants are illiterate, as compared with less than 3 per cent of the old immigrants. On the other hand, immigration was practically unregulated prior to 1882, and many immigrants were not self-supporting, but became a burden upon the various states where they augmented the pauper class. The new immigration is for the most part carefully regulated as to health and financial status. The early immigrants went in large numbers to rural districts, took up land and became productive farmers, while the new immigrants, finding the supply of free or cheap land practically exhausted, flock to manufacturing centers to join the ranks of city wage-earners and city dwellers.

Points of View.—There is wide difference of opinion concerning the nature and acuteness of the immigration problem. The various points of view are influenced greatly by political, racial, religous, economic, and ethical considerations. Several points of view may be noted. (1) Employers of labor are likely to find no cause for anxiety in an unrestricted influx of aliens, since it furnishes an abundant supply of cheap labor. A large proportion of the new immigrants are tractable and, being ignorant of American standards of employment, do not demand de-

sirable conditions. An "open door" for immigrant labor, therefore, appeals to the employer. (2) American wage-earners, on the other hand, are convinced that the unregulated influx of immigrants menaces American standards of labor. A lower standard of living enables recent immigrants, as sellers of labor-power, to offer their services at a cheaper rate than native-born Americans. It is natural that this disruption of the labor market and the lowering of the standards of employment should be resented by American wage-earners. (3) There is a large number of persons who, an account of their sincere altruism or because of political motives, desire to maintain the historic ideal of America as the haven of refuge for those who seek to escape from the religious persecution, political oppression, or economic distress of less fortunate countries. (4) Many individuals, including most social scientists, have concluded from thorough examination of the effects of immigration that uncontrolled or inadequately selected immigration results in making more acute such social problems as crime, pauperism, and illiteracy. Generally speaking, the immigration problem is fundamentally one of preserving American standards and ideals. Civilization, after all, is but the composite of prevailing norms of life and culture, ethical and social standards, and economic practices which a people accepts as desirable. Whatever tends to strengthen these standards of civilization should be approved; whatever conduces to their degeneration should be rejected. The extent to which the quality and quantity of immigrant aliens affect American standards of life, welfare, and progress constitutes the proper basis of judgment as to the merits or demerits of immigration.

Distribution of Immigrants.—It is often stated that the problem of immigration is basically a question of proper distribution. If immigrants were widely distributed over the United States, the intensity of their competition with native workmen would be greatly diminished and instead of crowding into the large cities they would live where population is not congested. The practicability of dis-

tribution as a solution of the immigration problem will depend upon the agricultural adaptability of the immigrants. It is a well-established fact that a large portion of the recent immigration has been recruited from the peasantry of Europe, but it must be remembered that the type of agriculture to which these persons have been accustomed is distinctly different from that which prevails in the United States. Moreover, there is experiential basis for the belief that the new immigrants have practically no desire to enter agricultural pursuits when they come to this country. Foreign-born whites constituted only 7.6 per cent of the total rural population in 1900, and the percentage declined to 6.5 per cent in 1920. On the other hand they constituted 19.1 per cent of urban population in 1920.

There is a marked tendency for immigrants to settle in certain sections of the country. Of the 1,285,000 immigrants who came to the United States in 1907, fully 65 per cent went to the North Atlantic States; 23 per cent to the North Central States; only 6 per cent to the Western States; and only 4.5 per cent to the Southern States. The distribution of the 13,712,754 foreign-born whites in 1920 was as follows:[2]

Geographic Divisions	Number	Percentage of the Total Population
New England	1,870,654	25.2
Middle Atlantic	4,912,575	22.5
East North Central.....	3,223,279	15.0
West North Central....	1,371,961	10.9
South Atlantic	315,920	2.2
East South Central.....	71,939	.8
West South Central.....	459,333	4.4
Mountain	453,225	13.5
Pacific	1,033,868	18.5

The foregoing figures indicate that whereas the foreign-born whites constitute from 18 to 25 per cent of the population in New England, Middle Atlantic, and Pacific divisions, they form an average of only about 3 per cent in the southern regions. The total alien population of

[2] Compiled from the Fourteenth Census of the U. S., 1920.

all the southern states, including Texas, is only about 563,000 out of a population of more than 25,000,000, or one alien to every forty-four natives. Even in the North Central and Mountain divisions foreign-born whites constitute on the average only 13 per cent of the total population. More than 70 per cent of our white immigrants have settled in the New England, Middle Atlantic, and East Central States. Of the almost 14,000,000 aliens in the United States, the states of New York, Pennsylvania, Massachusetts, and Illinois have about 6,500,000, or a little less than one-half of the total.

Many reasons may be assigned for the tendency of immigrants, especially the new immigrants, to concentrate in the manufacturing states of the East and Central West. In the South competition with cheap negro labor is a condition which immigrants do not wish to face; they prefer competition with white labor in the North. Having very little money upon their arrival, most immigrants from the east and south of Europe are unable to travel to the interior; for this reason they remain in the industrial states along the Atlantic seaboard, at least for a time. The new immigrants are excessively clannish, are slow to learn the language and customs of the country, and are disposed to be farm-shy. They have been accustomed to living in villages and going out to work on neighboring farms. They are a sociable people, and they dislike the isolation and loneliness of American farm life. The machine methods of American agriculture are also strange to them. Generally the new immigrants come to join relatives or friends who are mostly city residents. Here they find groups who speak the same language, worship in the same manner, have the same customs, traditions and modes of life as themselves; here they find the foreign press which keeps them in touch with the home land and the things their memories cherish; and in periods of distress they find in cities ready relief tendered either by their own people or by numerous charitable organizations. Then, too, money wages of farm laborers are comparatively low, and southern and eastern Europeans, who can

live cheaply, prefer not to receive a part of their earnings in board and room as is the custom on American farms. Agriculture, moreover, is a highly seasonal industry, so they crowd into our city industries because they desire steady work in order to save money. Finally, the United States has not yet devised an efficient scheme for proper distribution of immigrants.

Economic Aspects of the Immigration Problem.—1. *The Relation of the Immigrant to Industrial Development.*—During the last half-century the United States has experienced extraordinary industrial and commercial expansion. It cannot be determined whether this expansion stimulated immigration, or immigration promoted expansion. In all probability these forces were mutually interactive. No doubt industrial expansion was the original reason for the employment of millions of immigrants, but the availability of a cheap labor supply resulting from the continued influx of immigrants from the south and east of Europe stimulated in turn industrial development. Improved machinery has made possible the absorption of this new labor supply by American industries. Unskilled and inexperienced immigrants are able to operate the simplified machines, with the result that division and subdivision of labor has been given a great impetus since about 1880. The industrial development of the United States has been influenced by the fact that the newer immigrants have been of a youthful type, mostly men—strong, matured individuals. Of the 1,218,480 immigrant aliens admitted in 1914, for example, approximately 982,000 were between the ages of 14 and 44; about 159,000 were under 14; and a few more than 78,000 were 45 or over. The proportion of females among immigrant aliens as a whole was 42.4 per cent of the total in 1920, as compared with 33.5 per cent in the period 1910-1914. Experience has indicated that a large proportion of women in any immigration movement insures more permanent residents, while a preponderance of males results in a large emigration after a few years.

2. *Occupational Distribution and Displacement.*—Every

basic industry has a large quota of the new immigrants, and in many industries it has been found that from 50 per cent to 80 per cent of the unskilled workers are of foreign birth. Bituminous coal mining, steel manufacturing, the garment trades, the manufacture of cotton, woolen, and worsted goods, and numerous other important branches of production have been invaded by large forces of new immigrants. Competition with eastern and southern Europeans has led to voluntary or involuntary displacement of the native American and older immigrant employees in certain occupations and industries, such as bituminous and anthracite coal mining, and iron and steel manufacturing. A certain percentage of those who have remained have secured executive and technical positions, but most of them have been unable to stand the competitive struggle and have abandoned the old occupations for new ones. They have been pushed out rather than up, and the stigma of working with the new immigrants has resulted in occupational segregation. Those who have remained have been characterized as thriftless and unprogressive. Nor does it appear that children of the new immigrants take up the menial occupations of their fathers. So general has become the disapproval of working with eastern and southern Europeans that race consciousness has led to race substitution in manufacturing and mining.

3. *Conditions of Employment.*—Inexperience, lack of technical training, illiteracy, and ignorance of the English language on the part of immigrants from eastern and southern Europe have exposed native American and older immigrant wage-earners to unsafe and unsanitary conditions of employment. When the latter protest against undesirable conditions of employment the new immigrants fail to register objections and continue to work. It will be recalled that in discussing human waste in industry statistical evidence was given to show the relation that exists between industrial inexperience and the frequency of accidents. Large numbers of the new immigrants are from the peasantry of Europe and are unfamiliar with the machine processes of manufacturing. Recklessness, ignorance,

and inexperience as causes of industrial accidents have been greatly accentuated by the presence of these workers in American industries. The need for machine guards, adequate lighting systems, proper ventilation, reasonable hours of labor, and numerous other prerequisites that conduce to health and safety are not demanded by the new immigrants, who fear that by protesting against unsatisfactory conditions they will incur the displeasure of management.

4. *The Standard of Living.*—Many persons urge that the problem of immigration is fundamentally one of acute competition between different standards of life. Recent immigration has brought to the United States hordes of people who keep filled the slum districts of our large industrial centers. One race moves out into better quarters and another race, reinforced with numbers of its own kind fresh from across the water, moves in to serve its time in the filth and squalor of city slums—the black spots in American civic life. The United States Immigration Commission pointed out that the life, interest, and activity of the average wage-earner from southern and eastern Europe seems to revolve principally about three aims: (1) to earn the largest possible amount of immediate earnings under existing conditions of work; (2) to live upon the basis of minimum cost; and (3) to save as much as possible. "The ordinary comforts of life as insisted upon by the average American have been subordinated to the desire to reduce the cost of living to its lowest level."[3] The average cost of food for an individual immigrant mine worker among these races, in Pennsylvania, in prewar days was said to be about $4 to $10 a month. Among the Italians in Boston, in winter months, about $1 a week was sufficient to pay for the food of a man. In clothing equipment the recent immigrants adopt rather quickly American standards, but in general conditions of living and home equipment their standards are deplorable. A study of more than 15,000 foreign-born wage-earners' families showed that one-tenth were housed in two rooms, one-fifth in three rooms, and almost one-third in four rooms. Many of the households

[3] Reports, Vol. I, p. 499.

of the new immigrants had from four to eight persons for each sleeping room, the maximum number of inhabitants being conditioned only by available space. A great many used all the rooms of their apartments for sleeping quarters.

A large portion of immigrants from the south and east of Europe are single or, if married, have left their wives in the old country. This fact has made possible the adoption of the group system instead of the family system of living, and the reduction of the cost of living to a point far below that which prevails for American or older immigrants in the same occupations. Under this system, known as the "boarding boss plan," a married immigrant or his wife, or a single man, is the head of the household, in addition to whom there are anywhere from two to sixteen boarders and lodgers. Each lodger pays the boarding boss a fixed sum—$2 to $3 a month—for lodging, cooking, and washing; the food is usually bought by the boarders themselves or by the boss and its cost is shared equally by the individual members of the group. A variation of this scheme is found where each member of the household purchases his own food and has it cooked separately. Under this method, which prevails among immigrant households, the entire outlay for the necessary living expenses of each adult member ranges from $9 to $15 a month. Official investigations have shown that the average monthly rent payment per person for immigrants is as low as $1.51. Housing conditions among recent immigrants are unattractive, the ventilation, cooking facilities, light, water supply, sanitation, and play room for children being entirely inadequate.

5. *Wages.*—Recent immigrants constitute a mobile wage-earning class because large numbers of them have no families in this country. Their savings are in the form of cash or are quickly convertible into cash, so they can move easily to the communities where the labor market is favorable. Private employment agencies find these laborers a convenient labor reserve, and direct them rapidly to localities where the demand is active. This results in a flooding of the market and a depression of wage standards.

Eastern and southern Europeans have manifested a disposition to accept lower wages than native American or older immigrant workmen.

The investigations of the Immigration Commission showed that of 26,616 adult male workers for whom figures were secured, the average annual earnings of 22,928 adult foreign-born wage-earners were only $455, as contrasted with $566 for the 2,059 workers of native birth but foreign father, and $666 for the 1,454 native-born whites. Only a small percentage of the native-born Americans were earning less than $400 a year, while the greater proportion of them were receiving from $600 to $1,000. Of the total number of foreign-born wage-earners studied, approximately 80 per cent were receiving less than $600 a year, and 43 per cent earned less than $400. Only 1.9 per cent of the foreign-born males earned more than $1,000 a year, as compared with 6.6 per cent of the native-born of foreign father, and 11.4 per cent of the native-born white Americans. Everywhere the evidence supported the contention that the earnings of native Americans exceed those of foreign-born wage-earners, and the earning ability of older immigrants exceeds that of the newer ones. It is difficult to escape the conclusion that the presence of millions of immigrants from the east and south of Europe has depressed the wage scale in some American industries and prevented an advance in many others.

6. *The Attitude of Immigrants Toward Labor Organization.*—The recruitment of industrial personnel from the races that have constituted the bulk of recent immigration has undoubtedly tended to weaken the labor movement in America, and in some industries has resulted in the disruption of labor organization. The older immigrant races were accustomed to trade unionism and for the most part had had experience in the trade union movement abroad. Upon arriving in the United States, these individuals were not slow to embrace union membership. It has been quite different with the new immigrants, whose desire to accumulate money rapidly has made them unwilling to participate in labor disputes involving loss of

time or to join labor organizations to which it is necessary to pay dues. Recent immigrants have not as a rule affiliated with trade unions unless compelled to do so as a preliminary step toward obtaining work, and even after becoming members they have not manifested great interest in the progress of unionism, many of them refusing to maintain membership for any length of time. Unionization of the steel industry and many others has been rendered impossible on account of the diversity of races and nationalities comprising the tractable labor force.

The attitude of American labor organizations toward unionization of immigrant workers has been described as "receptive, aggressive, and at times coercive." There has been a wide dissemination of information concerning the advantages of organization, in order to unionize immigrants. Sometimes coercive measures have been used to bring them into the unions, especially in industries where their competition has injured native American and older immigrant workers. In recent years, partly because of the persistent efforts of the American Federation of Labor and partly because of a general awakening among immigrants as to the benefits of unionism, labor organization has met with greater acceptance among the foreign-born. In the clothing industry the alien workers have developed a powerful and intelligent type of unionism, and in the steel strike of 1919 the exploited foreigners gave loyal support in the unsuccessful fight for collective bargaining and the abolition of the twelve-hour day.

7. *The Financial Status of Immigrants.*—Immigrants applying for admission to the United States are not required to state how much money they bring with them unless the amount is under $50, but most immigrants disclose to examining officials the amounts they possess. Of the 276,000 immigrant aliens who showed money as they entered this country in 1920, approximately 141,000 had less than $50 apiece. The average amount shown by all such immigrants in 1920 was $119, as compared with $112 in 1919, and $44 in the period 1910-1914. The amounts brought in are insignificant compared with the remit-

tances sent back home or taken back by immigrants who have been in this country for some time. During normal years immigrants remit to the home lands from $150,000,000 to $175,000,000, and in years of great industrial activity when wages are high the total remittances probably exceed $200,000,000. Of the $275,000,000 estimated to have been sent to Europe by immigrants in 1907, $85,000,000 is estimated to have been sent to Italy; $75,000,000 to Austria-Hungary; $25,000,000 to Russia, including Finland; $25,000,000 to Great Britain and Ireland; $25,000,000 to Scandinavia; $15,000,000 to Germany; $5,000,000 each to Greece, the Balkan states, Japan, and China; and $5,000,000 to certain other countries.

Political Elements in the Problem.—The influx of a heterogeneous mass of races and nationalities is often said to be a potential source of danger for American institutions. Observation of naturalization proceedings in American courts convinces one that these masses have a very limited appreciation of American institutions and the responsibilities of citizenship. Incapable of voting intelligently, large numbers of them are, nevertheless, granted the privileges of suffrage and become an important factor in our political life. It can hardly be said that the new immigrants generally sell their votes, but large numbers of them do and larger numbers are under the control of a few leaders who organize and direct the immigrant voting power. Ward bossism and other forms of political dictation and corruption find ready acceptation among them. Moreover, nationalities and interests are balanced against each other by the political machine, and the vote of the foreign-born is often a sinister influence determining the tone of political agitation and action. The history of municipal politics in the United States is replete with evidence of the catering of politicians to the vote of German, Irish, Greek, and other groups of racial or national constituencies. In Congress the attitude of members on international questions has often been influenced by the strength of the "foreign vote," as the discussion of Irish independence and the declaration of

war on Germany attest. Accustomed to despotic or paternalistic governments, the new immigrants do not take a deep interest in the progress of democratic institutions.

Immigration as a Factor in Illiteracy.—According to the 1920 Census the United States has 4,931,905 persons ten years of age and over, who are illiterate; in 1910 there were 5,516,163 such persons. The Census Bureau classifies as illiterate any person ten years of age or over who is unable to write in any language, not necessarily English, regardless of ability to read. Generally this includes those persons who have had no schooling.

To what extent is immigration responsible for this illiteracy? In 1920, 2.5 per cent of the native whites of native parentage were illiterate, as compared with less than 1 per cent for native whites of foreign or mixed parentage, 13.1 per cent for foreign-born whites, and 22.9 per cent for negroes. The percentages for 1910 were respectively, 3.7, 1.1, 12.7, and 30.4 per cent. Thus foreign-born whites were the only ones who showed an increase in the decade, and this in spite of the fact that a literacy test has been applied to all immigrants coming to the United States since 1917. That immigration is an important factor in the problem of illiteracy in the United States is seen from the fact that in 1907, 30 per cent of the total number of immigrants were illiterate, and an average of 25 per cent of the total were so classified for the period 1910-1914. Moreover, it is apparent that illiteracy among immigrants is closely associated with those who come from eastern and southern Europe. In 1907, for example, when 30 per cent of the total immigrants were illiterate, 53 per cent of the southern Italians, 40 per cent of the Poles, 25 per cent of the Slovaks from Austria and 56 per cent of the Ruthenians from Austria, 29 per cent of the Russian Jews, and 54 per cent of the Syrians were illiterate. In the same year the percentage of illiteracy among the immigrants from northwestern Europe was comparatively insignificant, being only 4 per cent for the French, 4 per cent for the Germans, 3 per

cent for the Irish, 2 per cent for the English, and less than 1 per cent for the Scandinavians. Children of all classes of immigrants have shown a marked tendency to literacy; the problem, therefore, is a temporary one, because illiteracy is not cumulative.

The Padrone System.—The term "padrone" implies absolute authority vested in some persons to control others, usually laborers, and is of Italian origin. The padrone has the right to prescribe the character of the work, increase or decrease wages and hours of labor, punish violations of contract, and adjust differences between the workers. In the United States the padrone system developed because of the scarcity of labor in the period of expansion following the Civil War, and has been practiced among non-English speaking races. In the majority of cases the padrone is a labor agent, who agrees to furnish and control a certain supply of labor in return for which he receives specified privileges, such as the commissary or household privileges in a railway or construction camp. In other cases he acts merely as the representative of the laborers in negotiations with employers, and for this service each laborer in the gang pays him regularly the sum agreed upon. Padrone labor has been greatly exploited among the Italians, Greeks, Mexicans, Bulgarians, Turks, and Syrians in the United States. Peddling, shoe-shining, mining, and other occupations have been invaded by the padrone system, but the constructive efforts of foreign governments, and organizations of foreigners in this country coöperating with our own government have done much to reduce the prevalence of exploitation. The padrone system has been characterized by long hours and close confinement to work; total disregard of the necessity of fresh air and proper sleeping quarters; overheated and poorly ventilated work places; lack of nourishing food; inadequate wearing apparel; and lack of bathing facilities.

The Case for Restriction.—Restrictionists rest their case upon well-defined industrial, political, social, and racial grounds. Industrially, it is contended, the entrance into

the operating forces of American industries of millions of people from eastern and southern Europe has exposed the original employees to unsafe and unsanitary working conditions; introduced a standard of living which is unacceptable to native American and older immigrant workers; led to voluntary or involuntary displacement of these workers in certain industries and occupations; weakened labor organizations, and in some cases disrupted them; prevented advances in wages in many industries and depressed wage scales in others; and glutted the labor market. Politically, recent immigrants have been easy prey for the corrupt political machine in American cities; have hindered the development of national unity; and obstructed the operation of our democratic institutions.

The social arguments for restriction have their foundation chiefly in the unassimilability of recent immigrants. They are clannish, and tend to form colonies of their own race in which their language, customs, and ideals are preserved. American cities have quarters referred to as "little Italy," "little Hungary," "little Poland," and "little Greece," which are divorced from the finest that is available in American institutions and civilization. To these colonies the new immigrants flock in large numbers. In 1920 there were not less than thirty-four American cities of 100,000 population or over, in which the foreign-born whites constituted from 20 per cent to 40 per cent of the total. The 2,786,112 foreign-born whites in the state of New York constituted 27 per cent of the population. Of these New York City had 1,991,547, or 71 per cent, the foreign-born whites constituting 35.4 per cent of its total population. More than fifty nations were represented; the leading nationalities in the order of their numerical strength were the Russians, Italians, Germans, Poles, and Austrians. In the same year Illinois had 1,206,951 foreign-born whites, about 18.5 per cent of the population. Of these 805,482, or 67 per cent, were in Chicago, the foreign-born whites accounting for approximately 30 per cent of the population of the city. The Germans led, followed by the Poles, Russians, and Italians.

In these cities the eastern and southern Europeans segregrate in racial colonies. Americanization has been difficult on account of the isolation of immigrant groups; indifference, and often prejudice, on the part of natives towards the foreign-born; illiteracy among immigrants; the influence of immigrant churches and parochial schools in emphasizing racial and denominational distinctions; and the inability of these aliens to speak English. Immigrants have also been a factor in such social problems as crime, poverty, pauperism, white slavery, bad housing conditions, insanity, and the prevalence of contagious diseases.

A great deal of emphasis has been placed by restrictionists upon racial arguments against immigration. It is pointed out that the new immigration is drawn from the Slavic and Mediterranean subraces of the white race, which have not shown the capacity for self-government and free institutions so conspicuously displayed by the northern and western Europeans. It is stated that the Latin and Slavic temperaments will not express themselves in activities and institutions identical with those cherished by the Anglo-Saxon and Teutonic races. Destruction of the native American stock by the new immigration is deplored.

Those who oppose policies of restriction and exclusion argue that America does not suffer from an oversupply of unskilled labor, but that the supply of cheap labor furnished by the recent immigrant tide is indispensable if this country's capitalists are to develop American industries rapidly, dominate the world markets, and increase the national wealth. The immigrant workman is declared to be necessary to national progress, since we can rely on no one else to build our houses, railroads, subways, and waterways, and mine our coal and ore. The American and older immigrant workers are said to be pushed up and not down by the influx of recent immigrants, and the social, political, and racial problems to be solved automatically with the second generation. America is said to need the artistic temperament of the

Slavic and the Latin races. All restrictive measures, except those designed to protect public health and morals, are condemned as arbitrary, utterly un-American, a violation of our treaties with foreign powers, and absolutely unjustified by the effects of immigration. Nothing, in fact, justifies the departure from the open door policy advocated by Thomas Jefferson in his message of 1801, dedicating the United States as the free asylum of oppressed humanity. Regardless of this opposition, the United States has adopted an increasingly restrictive policy.

The Development of Opposition and Legislation.—Although the first general immigration act of the United States was not passed until 1882, opposition to immigration crystallized in earlier years. Washington, John Adams, and other early American statesmen were opposed to the uncontrolled influx of aliens, a fact which undoubtedly accounts for the qualifications prescribed for membership in either house of Congress and for the presidency. Prior to 1861, however, regulation was left to the states, although the federal government passed a law in 1819 for the purpose of providing greater comfort and convenience for steerage passengers en route to this country.

Immigration from Germany and Ireland increased in the thirties, and nativistic tendencies became more pronounced. There soon developed the so-called "Native American" movement, founded principally on opposition to the immigration of Roman Catholics, which assumed a political significance. A native American party, known as the American Republican Party, was organized, and in 1845 the movement claimed a membership of 110,000 in New York, Pennsylvania, Massachusetts and other states, and was represented in Congress by eight members. That was the year of the first national convention in Philadelphia, at which the 141 delegates assembled adopted a platform demanding the repeal of the naturalization laws and the appointment to office of native Americans. Nativistic representatives in Congress demanded

the exclusion of undesirable aliens and a longer term of residence prior to naturalization, but they had little success.

The decade of the forties witnessed another wave of immigration from Ireland and Germany on account of the potato famine in the former country and political disruption in the latter. Fear of the alien again spread and the nativists revived anti-Catholic activities. A new organization clothed in secrecy and mysticism was created in New York City in 1850. When questioned concerning the nature of the order its members would answer: "I don't know," and this gave rise to the name "Know Nothing Party." By 1854, however, the secret character of the organization had been largely discarded and its real name—the Order of the Star Spangled Banner—became generally known. Slavery, religious liberty, and the moral welfare of the nation were among the issues commanding its attention. Following the national council held in Philadelphia in 1855, direct political activity was sponsored; the movement demanded a change in the naturalization laws and the repeal of state laws allowing foreigners not naturalized to vote. The convention of 1856 went on record in favor of government of America by Americans, a twenty-one-year residence requirement for naturalization, and the exclusion of paupers and criminals. Although it nominated a presidential candidate and had several members in Congress, the "Know Nothing Party" accomplished practically nothing toward the exclusion of immigrants. In fact, in 1847 and 1848, when the party was increasing in power, Congress amended the law of 1819 in order to improve steerage conditions on passenger ships.

Conditions incident to the Civil War caused a complete change in public sentiment concerning immigration. In 1864 Congress passed a law to encourage immigration as a means of filling up the vacancies of the million and a quarter employees who had left industries for military service. Under the provisions of this act the office of Commissioner of Immigration was created in the State

Department, and immigrants were permitted to pledge under contract not more than one year's service in payment for passage, but servitude was forbidden. This law proved unsatisfactory and was repealed in 1868, leaving the states to meet the problem in their own way. State control proved inadequate, however, and there was a strong movement for federal regulation culminating in the decision of the United States Supreme Court in 1876, which declared state regulation of immigration unconstitutional. In 1875 and 1882 federal laws were passed to keep out persons considered detrimental to the public welfare, including prostitutes, convicts (except political offenders), lunatics, idiots, and persons likely to become public charges, the provisions of earlier laws with regard to undesirables being greatly strengthened. The Secretary of the Treasury was given power to enforce the law of 1882, and a head tax of fifty cents was imposed to provide funds for its administration. The importation of contract labor was forbidden by the act of 1885; more effective measures providing for the deportation of immigrants landed in violation of the law were passed in 1887 and 1888.

During 1890 one or more political parties in twenty-three states demanded additional regulation of immigration, and in 1891 Congress passed another measure excluding persons afflicted with loathsome disease, polygamists, those whose passage was paid for by others, and paupers. The solicitation or encouragement of immigration by promising employment through advertisements in foreign countries was forbidden, the office of Superintendent of Immigration was created, and administrative powers formerly delegated to the states were now transferred to federal departments. Moreover, the law provided for the inspection of vessels carrying immigrants and the examination of immigrants on the borders of Canada and Mexico, and required transportation companies bringing in legally inadmissible aliens to bear the expense of returning such persons to the ports of embarkation. The industrial depression in 1893 led to agita-

tion for further restriction of immigration, but, with the exception of an amendment to an appropriation act in 1894, raising the head tax on immigrants from fifty cents to one dollar, no further legislation was passed until 1903. A bill adopted by both houses of Congress providing for an educational test for immigrants was vetoed by President Cleveland on March 2, 1897.

On March 3, 1903, a law was passed embodying many of the recommendations of the United States Industrial Commission. This law added to the excluded classes epileptics, persons who had been insane within five years previous or had had two or more attacks of insanity, professional beggars, anarchists, persons attempting to bring in women for immoral purposes, and persons deported within a year previous as contract laborers. The head tax was increased from $1.00 to $2.00, and provision was made for the codification of all immigration legislation enacted between 1875 and 1894. In 1903 also the Department of Commerce and Labor was created, and the office of Commissioner General of Immigration was placed in this department. In 1907 a law was enacted which, among other provisions, increased the head tax to $4.00, required greater air space for steerage passengers, and gave to the president power to refuse admittance to certain aliens whose presence would affect adversely conditions of labor. Under the last provision Japanese and Korean laborers were excluded later. This measure also created the United States Immigration Commission whose investigations, published in 1911, constitute the standard authority on the subject.

In 1910 an act was passed for the purpose of making more effective previous legislation against the importation of women and girls for immoral purposes and providing punishment for persons controlling and importing such undesirables. In 1913 President Taft vetoed a bill which provided a literacy test for immigrants. A similar measure was vetoed twice by President Wilson, once in 1915 and again in 1916, but in the last instance the required two-thirds majority vote was secured in both houses and Congress passed the bill over the president's veto.

It became a law on February 5, 1917. Persons over sixteen years of age who are physically capable of reading are excluded if they cannot read some language, but exceptions are made in the case of near relatives of admissible aliens and those seeking admission to escape religious persecution. President Wilson objected to the measure on the grounds that it embodied a radical departure from the traditional policy of the nation in almost destroying the right of political asylum and in excluding those who have missed the opportunity of education, without regard to their character or capacity, and did not represent the will of the people. The 1917 law increased the head tax to $8.00, payable by every alien entering the United States except children under sixteen years of age accompanying their parents.

Out of 348,111 immigrant aliens sixteen years of age or over admitted in 1920, only about 15,000, or 4.4 per cent, were illiterate, these being allowed to enter under the prescribed exceptions. The literacy test, however, is not very difficult. On June 3, 1921, a percentage law became operative, which provides that the number of aliens of any nationality who may enter in any year shall be limited to 3 per cent of the number of foreign-born persons of such nationality already resident in the United States, as determined by the Census of 1910. Large numbers of aliens were refused entrance because the quota of their nationality was filled for the year. These were described as "helpless victims of the transportation companies whose greed brought them here in flagrant disregard of the limitations of the law."[4] The Department of Labor, listening to the appeals of relatives and friends, admitted temporarily these excess arrivals, and later Congress made the order permanent by charging the excess against the quotas of the nationalities involved for the following year. Under this law the quota for the fiscal year 1921–1922 (twelve months) was 357,803, and this was further restricted to not over 20 per cent in any one calendar month.

[4] Ninth Annual Report of the Secretary of Labor, 1921, p. 29.

The law of 1921 was enacted as a temporary, after-war measure in order to restrict immigration until our economic situation readjusted itself. But meanwhile public sentiment demanded an even more stringent restriction, and in May, 1924, the 3 per cent according to the census of 1910 was changed by Congress to 2 per cent, based upon the census of 1890, thus cutting the number of immigrants permitted from 357,803 to 169,083. While this had very little effect upon the quotas of Great Britain, Germany and the Scandinavian countries, it cut still more deeply the quotas permitted Italy, Greece, Turkey, and the various Slavic countries, in some cases reducing them below the actual number who were leaving the United States for those countries. While this restriction has met with the general approval of the American people, it has met with opposition on the part of some of the politicians from the New England and the North Atlantic states. Also members of the Catholic and Jewish faiths have felt that it was a direct discrimination against them.

Oriental Immigration.—The problem of Chinese, Japanese, and Hindu immigration has peculiarities not associated with immigration from Europe. In race and civilization Orientals differ greatly from the peoples of western countries. Difficult as is the assimilation of Orientals from a racial standpoint, it is almost as difficult from the point of view of the standard of life. Comparatively few Hindus, Chinese, and Japanese who emigrate from their native countries appear to change their modes of living. They can live even more cheaply than eastern and southern Europeans, and for this reason American workmen fear competition with them more than they do competition with the latter races and nationalities. Orientals accept wages that to native Americans and to older immigrants would mean starvation.

The number of Orientals in the United States is not so great as to cause serious alarm, there being only about 62,000 Chinese and 111,000 Japanese in this country in 1920. The Chinese constitute less than one-tenth of one per cent, and the Japanese about one-tenth of one per

cent of the total population. In 1900 there were almost 90,000 Chinese and about 24,000 Japanese in this country, which means that in twenty years the number of Chinese has decreased 28,000, or 31 per cent, while the number of Japanese has increased 87,000 or 362 per cent. Between 10,000 and 12,000 Japanese aliens and about 4,000 Chinese aliens enter annually, but a considerable number of Chinese, not shown in the statistics of immigration, gain entrance to the United States by deserting from vessels upon which they have arrived as crew members, and entering surreptitiously across our land borders, or being smuggled in at various remote places on our seacoasts. The so-called "seaman route" has apparently become a favorite device for defeating the purpose of the Chinese exclusion laws.

In general Chinese tend to concentrate in domestic and personal service, gardening, laundering, railroad construction, canning, etc., while Japanese are found in domestic and personal service, trade and transportation, and agriculture. Unable to compete in agricultural pursuits, the Chinese are going into lumber mills, logging camps, and construction work in the West. American labor views with alarm the facts that Japanese immigration has increased 362 per cent in twenty years; that Chinese are entering the country illegally in large numbers; and that both nationalities encroach upon employments hitherto claimed by white labor. The 1921 convention of the American Federation of Labor went on record in favor of abolishing the "gentlemen's agreement" with Japan and of adopting complete exclusion of Japanese together with all other Orientals. Strict enforcement of the Chinese Exclusion Act was demanded.

The economic consequences of the presence of Oriental laborers is no small factor in the waves of race prejudice which have swept periodically over our Pacific coast states, especially California. Both Chinese and Japanese have been the victims of race prejudice, and laws have been passed excluding Orientals from land ownership. Opponents of Asiatic immigration contend that these immi-

grants endanger American industrial and social standards and their presence discourages the immigration of white labor, in the same way as does the presence of the negro in the South. The principal charges are that the Chinese and Japanese are nonassimilable biologically, and that they do not constitute desirable additions to the population because of the great differences in religion and customs, and their divided allegiance. Even though born in the United States, and therefore citizens, it is stated that all Japanese are regarded by the Japanese government as subjects of Japan, and are watched over by the Japanese consulate. Moreover, children of Japanese are required to attend Japanese schools after daily attendance at American public schools, and all Japanese between the ages of 17 and 40 are subject to conscription in the Japanese army. The Japanese concentrate in localities from which they force out white inhabitants, and secure land ownership in violation of the law. Land is purchased in the names of their children or by corporations in which white men act as dummy directors. In many localities the most arable land has fallen into the hands of the Japanese. The practice of bringing in the so-called "picture brides" has aroused much public sentiment against the Japanese in California, on the ground that this constitutes an evasion of the "gentlemen's agreement."

Those who oppose restriction of immigration from the Orient point out that Orientals comprise an insignificant percentage of the total population and their birth rate is no higher than other classes of immigrants. Moreover, it is the industry and patience of the Japanese that have been responsible for the reclamation of waste and unused lands which they have made very fertile—land that native Americans would not cultivate because of the attendant difficulties.

The first attempt of the federal government to regulate Chinese immigration is found in the Burlingame treaty of July 28, 1868. Little was accomplished by this treaty because it merely expressed the right of the Chinese to

settle wherever they wished but denied them the right of naturalization. A treaty negotiated in 1880 authorized the United States government to regulate, limit, or suspend immigration from China, but not to prohibit such immigration. In 1882 the Chinese Exclusion Act was passed, which suspended all Chinese skilled and unskilled labor for a period of ten years. In 1904, when the Chinese government refused to continue the treaty of 1894 providing for the exclusion of Chinese labor for ten years, Congress reënacted the law of 1882, extending and continuing without modification, limitation, or condition all laws then in force so far as they were not inconsistent with treaty obligations. This gave permanence to the Chinese exclusion policy of our government. Classes exempt under the law include officials of the Chinese government, teachers, students, merchants, travelers; laborers coming to join lawful wives, children, or parents, or to claim property or debts; and the wives and minor children of members of these exempt classes. Exempted persons must produce identification by their own government viséd by a diplomatic or consular agent of the United States. The law has been very difficult to enforce.

In accordance with the "gentlemen's agreement" entered into by the governments of the United States and Japan in 1907, Japanese laborers who are not coming to the United States to resume a formerly acquired domicile; to join a parent, wife, or children residing here; or to assume active control of an already possessed interest in a farming enterprise are refused passports by the Japanese government. Fictitious business partnerships have been a favorite means of evading this understanding, and a great deal of criticism has arisen to the effect that Japan is not living up to the agreement. A new treaty signed in 1911 omits all reference to immigration, but the Japanese government has declared officially that it is fulfilling its responsibilities under the agreement of 1907, and that emigration from Japan is limited to the movement of Japanese laborers to Hawaii. The 1913 anti-alien land ownership law of California and the introduc-

tion of similar measures in the legislatures of other Pacific coast states have tended to strain relations between Japan and the United States.

These relations were still further strained in 1924 by the passage of the so-called Japanese Exclusion Act by Congress, which very definitely shut the door in the face of Japan. This Act forbade entry to all those who were ineligible to become citizens of the United States, and resulted in a rigid exclusion of Japanese laborers and others intending to settle in this country. The passage of this Act, deemed necessary by many public officials, was deprecated by others as a serious blow to international good feeling.

Conclusions.—Unregulated immigration is a serious menace to American social, economic, and political standards. No nation can assimilate readily such vast numbers as have entered the United States during the last forty years. Our immigration policy, like every policy designed to promote the public welfare, must be shaped in the light of national expediency rather than according to abstract theories of rights, freedom, and asylum. If Oriental immigration is more menacing to our institutions than European immigration that is sufficient reason for the exclusion of the former, but there must be adequate basis for judgment with regard to the effects of both types of immigration. Self-preservation is the first law of life, and it applies to nations as to individuals. If American economic, political, and social standards are threatened by an excessive influx of aliens, it is the duty of the federal government to control that influx and in periods of acute unemployment to adopt a policy of complete exclusion.

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CHAPTER XIV

INDUSTRIAL UNREST

An Inclusive Problem.—The importance of the problem of industrial unrest is suggested by the almost ceaseless attention which modern communities are forced to give to it. In periods of industrial expansion and general economic prosperity conflicts in industrial relations emerge to slow up the machinery of production and impede material progress, while in times of industrial inactivity and business depression the economic and social problems incident thereto are made more acute by the endless strife between employers and employees. Industrial unrest is, in fact, the all-inclusive problem of modern industrialism. In it is contained and through it are manifested all the elements of industrial maladjustment discussed in the previous chapters. The standard of life, cost of living, industrial remuneration, conditions of labor, women and children in industry, unemployment, occupational hazards, labor turnover, distribution of wealth and income, and immigration are the numerous problems that converge to produce the comprehensive phenomenon of industrial and social unrest. If this fact is kept in mind, it will aid in the appreciation of another fact which modern communities have failed to apprehend in its full import; namely, that industrial and social unrest is symptomatic of remediable conditions in our industrial system. Repetitious strikes, boycotts, lockouts, and disputes are indicative of wrongs that can be righted, of conditions of work and methods of management that must be improved if the community is to escape the endless struggle between capital and labor. Superficial condemnation of labor and capital will not solve the problem; there must be impartial

investigation and a critical analysis of facts combined with a determination to eliminate the conditions responsible for industrial friction.

There is nothing new about industrial unrest, except its present extensiveness and effects. The slave and serf rebelled against their subordinate status in the economic order, and the free wage-earner also protests against conditions which he deems undesirable. The development of modern capitalism, however, has been characterized by increasing discontent on the part of the masses, and industrial unrest, which has now become world-wide in scope, appears to have a more emphatic accent as the wage-earners increase in intelligence. The demands of the masses are more far-reaching and more determined to-day than at any other period of the world's history. Whereas industrial strife was in the beginning of modern capitalism confined to sporadic protests against unsatisfactory conditions in local areas, in the present generation it finds more general expression and develops from more comprehensive causes. Strikes and lockouts in the present stage of economic development may cause a complete shutdown of basic industries, paralyze transportation, and expose the public to immeasurable injury and inconvenience. General strikes and lockouts may imperil national life, and nations fear them as never before, because a revolt of the masses in another country, as in Russia, rocks the foundations of national institutions everywhere.

Definitions.—Industrial unrest manifests itself in such practices as strikes, boycotts, lockouts, and blacklists. *A strike is a cessation of work by a combination of wage-earners for the purpose either of enforcing certain demands for improved conditions of employment, or of maintaining conditions that already exist.* From the point of view of the wage-earners strikes may be *positive* or *negative,* depending upon the conditions that give rise to the cessation of work. If the strike is initiated by the employees for the purpose of making effective their demands for improved conditions of labor, it may be said to be a positive one. If, on the

other hand, the concerted agreement on the part of the employees to stop work is an effort to maintain prevailing standards of wages, hours, and physical conditions of employment, the strike is really a protest against changes initiated by the employer, and may be called a negative strike. Another classification of strikes is that proposed by the Massachusetts Bureau of Labor, according to which cessation of work resulting from the initiative of employers in effecting readjustments in the conditions of employment is known as a "defense strike," and a cessation of combinations of employees for the purpose of securing better conditions of employment is called an "attack strike." It will be seen that the "attack strike" corresponds to the positive strike, while the "defense strike" is similar to the negative strike. In both classifications the nature of the strike depends upon which of the parties, employer or employees, is the originator of the demands that cause the cessation of work.

Strikes may be *local, national,* or *international.* Local strikes may be operative in a particular plant or group of plants in a given trade or occupation in a limited area, as a city, state, or district; national strikes are those which take place in a whole industry, such as coal mining or transportation, and are operative throughout the whole country; an international strike is one that ties up an industry in more than one nation, such as a concerted stoppage of work in the same industry in the United States and Canada. In recent years the term "general strike" has invaded the vocabulary of economics, used chiefly by radical elements in the international labor movement to designate a complete cessation of work in all industries either to protest against the actions of capitalist-employers, or to secure certain industrial and political advantages of a more or less moderate nature, or to achieve the revolutionary objective of destroying present industrial and political institutions and establishing in their stead a socialistic order. Still another type of strike is the "sympathetic strike," which is the cessation of work by wage-earners in one occupation or industry having no grievance with their own

employers, in order to aid the workers on strike in another industry.

The employers' counter-weapon for the strike is the lockout, which may be defined as *a refusal on the part of an employer, or a group of employers, to allow some or all of the employees to work until specific demands are conceded and complied with.* The strike and the lockout are similar in that both result in a stoppage of work, the essential difference being that the strike is declared by the employees, while the lockout is put into operation by the employers.

Labor organizations frequently attempt to win their struggle by resorting to the practices of *picketing* and *boycotting.* Generally speaking, *picketing takes place when the persons who are out on strike endeavor to persuade other workmen not to accept employment with the particular employer or employers involved in the prevailing dispute.* Pickets or patrols are usually stationed about the establishment in which the controversy has developed, for the purpose of persuading the "strike breakers" to give up employment in the plant.

As used in industrial relations, *the term boycott applies to the action of a combination of wage-earners in refusing to continue dealings with an employer, fellow employee, or other persons, and in attempting to persuade or coerce third parties to refuse patronage and dealings, for the purpose of compelling the party against whom the grievance is held to acquiesce in certain demands, or of inflicting punishment for the failure to agree to certain demands on previous occasions.* There are several kinds of boycotts, including (1) the *primary boycott,* which is a simple combination of persons for the suspension of all dealings with another party whose policies and methods are unacceptable, but involving no effort to persuade or coerce third parties; (2) the *secondary boycott,* which is unified action on the part of workingmen to induce or persuade a third party, usually a merchant who sells the commodities produced by the employer primarily boycotted, not to continue business relations with the person or persons against whom the grievance

is initially held; (3) the *compound boycott,* which takes place when workingmen use coercion and intimidation, as distinguished from persuasion, for the purpose of breaking off business relations between a third party and a boycotted establishment, such action resulting in threatened or actual financial loss or physical injury; (4) the *positive boycott,* or application of the "fair list" or union label to products of establishments whose labor policies are endorsed by organized labor, for the purpose of confining the patronage of union labor to such establishments; (5) the *negative boycott,* which consists in publishing in the official organs of union labor the "unfair list," or names of firms whose attitude toward and dealings with organized labor are unacceptable, the purpose being to divert all union patronage from these firms. Some authorities include all boycotts under positive and negative; others list only two classes, primary and secondary; while still others discuss the several varieties just defined in modified arrangements according to their importance. At best, therefore, the above classification is an arbitrary one. Legally, boycotts are usually distinguished as primary and secondary. In the courts it is the secondary boycott, understood as involving (2) and (3) of the foregoing classification, that is important, the significant factor being the third party.

As the lockout is the employers' counter-stroke to the strike, so the blacklist is his counter-weapon to the boycott. The blacklist is the employers' boycott; it is his method of discriminating against employees because of former alleged offenses, such as trade union membership, agitation, or strike. Members of an employers' association may distribute a list of workingmen who have participated in a strike or have been suspected of trade union activities, or for some other reason are considered troublemakers. The blacklist takes the form of lists kept by employers' associations giving information with regard to workers, on the basis of which they are given or refused employment. It is claimed that the Metal Trades Associa-

tion, an avowed antiunion organization, had some years ago a card catalogue of 60,000 names.[1]

Frequently employers make use of the negative blacklist. Under this form of blacklist members of an employers' association maintain files which contain important information about employees in the locality. A clearance card is given discharged employees, and facts concerning them are placed in the files of the association. Both from these facts and from the clearance card employers can obtain data concerning prospective workmen. In these and other ways wage-earners who are suspected of being troublesome and affiliated with the union are easily weeded out. This method not only furnishes data concerning ineligible workmen but also provides information regarding eligible employees; it is, therefore, known as "whitelisting" and corresponds to the fair list and the union label used by organized labor. It is evident that the blacklist and the whitelist are simply two methods of achieving the same end; namely, discrimination against those who are considered by a group of employers to be undesirable.

The Development and Extent of Strikes and Lockouts in the United States.—The genesis of the strike as a weapon of industrial warfare cannot be determined definitely. "Strikes are as old as the wage system itself, and the slave insurrections, peasant revolts and labor wars which frequently occurred before the emergence of the wage system, prove the existence in that earlier epoch of all the elements of the strike save those which arise from that system itself."[2] There are evidences of strikes in Great Britain and on the continent during the fourteenth, fifteenth, and sixteenth centuries. The earliest strikes in America, of which we have any record, took place in the middle of the eighteenth century, probably about 1741, when the journeymen bakers of New York City demanded an advance in wages. During the years 1796, 1798, and 1799 a series of strikes were initiated by

[1] R. F. Hoxie, *Trade Unionism in the United States*, p. 237.
[2] Adams and Sumner, *Labor Problems*, pp. 176, 177.

the association of journeymen shoemakers. In 1803 a strike occurred among the sailors of New York City, and in 1809 the cordwainers went out on strike. Labor terms such as "scab," "strike," "general turn-out," etc., were commonly used by 1809, and by 1835 strikes had become so usual that it was said "strikes are all the fashion." Not until 1877, however, did an important national strike take place. In that year railroad strikes became so general and violent that transportation and business were seriously impaired, and state and national troops were called out to quell rioting and disturbance. According to statistics collected by the United States Commissioner of Labor, there were 1,440 strikes and lockouts in this country between 1741 and 1881.

Statistics of strikes and lockouts preceding 1881 are incomplete, but since that time thorough compilations have been made by federal agencies. In the period of twenty-five years between 1881 and 1905 there were 36,757 strikes and 1,546 lockouts in the United States, a total of 38,303, exclusive of cessations of work lasting less than one day. Almost 200,000 establishments were involved, the number of strikers being approximately 6,730,000 and the number locked out 716,000. Including those who were not directly involved in the disputes but who were unable to work in the absence of those who were, the total number of persons affected was approximately 9,530,000, of whom 91 per cent were idle because of strikes and 9 per cent on account of lockouts. Because of the Pullman strike more persons (660,425) were thrown out of work in 1894 than in any other year of the period, although in 1902, the year of the famous anthracite coal strike, approximately 660,000 persons were out of work. The greatest number of strikes occurred in 1903 when the number was 3,494, involving more than 20,000 establishments and about 532,000 strikers.

The period of the World War was noted in practically every country for the extraordinary increase in strikes. The experience of the United States is indicated in the following statistics:

Year	Number of Strikes	Number of Lockouts	Total
1916	3,681	108	3,789
1917	4,324	126	4,450
1918	3,248	105	3,353
1919	3,444	125	3,569
1920	3,109	58	3,167
1921	2,164	103	2,267
Totals	19,970	625	20,595

Reports received for about 11,500 strikes and 321 lockouts showed that the number of persons involved was approximately 9,450,000 and 295,000, respectively, so that in all probability not less than 15,000,000 persons were involved directly and 5,000,000 indirectly in the total number of strikes occurring in the entire period, and not less than a total of 750,000 in the lockouts.

The duration of strikes and lockouts varies from year to year. In the approximately 37,000 strikes and 1,546 lockouts that occurred in the United States between 1881 and 1905, the average duration of strikes per establishment was about 25 days and of lockouts about 85 days. Information for more than 10,000 strikes and about 300 lockouts in the period 1916-1920 indicates that the average duration of strikes was 26 days and of lockouts 50 days. It appears, therefore, that lockouts are much less numerous but more stubborn than strikes, the duration of the former being two to four times as long as the latter. This is undoubtedly accounted for by the greater ability of the employer to hold out. Exhaustion of strike funds generally forces workers to seek a settlement of the dispute and to terminate the strike. Fully 80 per cent of all strikes are called by labor organizations, and about 85 per cent occur among male employees, the remainder being among female employees alone or involving both men and women. The greater proportion of men involved in disputes is accounted for by (1) the larger proportion of male workers in industry, (2) the lack of effective organization among women, and (3) the greater tractability of women employees, who do not protest so readily as men against undesirable working conditions.

There is a definite connection between labor organization and the success of strikes. Trade unions appear to be successful in about 50 per cent of the strikes they initiate and partially successful in about 15 per cent. In periods of industrial prosperity the workers are more successful than employers, while in periods of business depression the employers are more successful. In the prosperous year of 1917, for example, employees won twice as many strikes as employers; while in 1921, when business depression was setting in, the ratio was practically reversed. This is not difficult to explain. In periods of industrial activity employers are anxious to keep up production in order to secure as large as possible a share of profits; consequently, they are willing to adjust grievances without resort to a cessation of work. In years of industrial depression production is curtailed, men are seeking jobs, and employers are not afraid to risk a strike. Strikes called in the absence of effective organization almost invariably fail. The occupations in which strikes occur most frequently are the building trades, mining, metal trades, transportation, the clothing trades, and the textile industry. More than 50 per cent of the strikes and lockouts occur in the leading industrial states of New York, Pennsylvania, Illinois, Massachusetts, and Ohio.

The Economic Waste of Strikes and Lockouts.—Wage-earners as a class probably gain more than they lose as a result of strikes that end in their favor, and employers as a class doubtless gain more than they lose as a result of lockouts which they win. Whatever advantages may accrue to employers and employees from methods of industrial warfare, the public, which is not directly involved in the dispute, receives no such benefits. Experience has shown that while the losses resulting from strikes and lockouts are very large, it is impossible, except in a few isolated cases, to measure these wastes. Employers' associations often make extravagant estimates of the losses incurred, but these are discounted by impartial investigators. "Even an exact statement of the time lost through strikes, and the amount of money losses in wages,

interest, and profits due to stoppage of work, were such a statement possible, would give a very inadequate idea of the real cost to the worker, the employer, and the community in general, and the elaborate calculations of costs of strikes which make their appearance from time to time, generally under the title of estimates, are but mere guesses by the compiler, not statistical in character, and frequently incorrect in their conclusions."[3]

Although the total cost of industrial strife cannot be measured, a few estimates suggests how great must be the actual cost. In the United Kingdom during the period of seventeen years between 1905 and 1921, inclusive, there were 14,222 industrial disputes involving 14,243,000 workers and lasting in the aggregate approximately 169,500,000 working-days. Of the 86,000,000 working-days lost on account of disputes in 1921, 70,000,000 were lost in the coal strike of that year which involved 1,100,000 persons. The loss in wages during the entire period (1905-1921) was probably not less than $325,000,000, while the loss in production, depreciation in capital, and inconvenience to industries and individuals not involved directly in the controversies cannot be estimated even approximately.

Turning to the United States, the loss to employees on account of strikes that occurred between 1881 and 1900, inclusive, was estimated at $257,863,478, while the loss to the workers because of lockouts in the same period was $48,819,745, a total of $306,683,223. The average loss incurred by each of the more than 6,000,000 persons on strike in the more than 117,000 establishments was $42, while 504,307 workers who were locked out lost an average of $97. Employers lost an average of $4,915 per establishment on account of lockouts. Financial assistance furnished by labor organizations to those out on strike was estimated at $16,174,793, and to those locked out $3,451,461, a total of $19,626,254. These estimates are probably low, and do not include amounts furnished by outside sympathizers. During the twenty years em-

[3] *Monthly Labor Review*, September, 1920, p. 189.

ployers incurred a loss of $122,731,121 from the strikes, and $19,927,983 from lockouts, a total of $142,659,104, or an average loss of $1,119 for each establishment involved. It is further estimated that the employees in the anthracite coal strike of 1902 lost $25,000,000 in wages and $1,800,000 in relief funds, while the receipts of coal companies decreased $46,100,000, and a loss of $28,000,000 was incurred by transportation companies.

According to data collected by officials of several departments of the federal government in 1921, wage-earners throughout the United States are incurring losses at the rate of $4,000,000,000 a year as a result of strikes, lockouts, and deliberate absenteeism from their tasks. In the strike of the New York garment workers alone the loss to workers and employers was estimated at from $750,000 to $1,000,000 a day. Industrial disputes in Pennsylvania during the four years 1916-1919 caused a loss of 10,793,243 work-days and $28,034,871 in wages. The more than 20,000 strikes and lockouts that occurred in the United States between 1916 and 1921, inclusive, certainly cost employers and employees an enormous sum.

In interpreting wage losses in strikes it must be remembered that a large number of strikers who find work elsewhere earn considerable money pending settlement of the disputes, and that in case of victorious strikes the workers usually receive increased wages which compensate for losses incurred by the walkout. Moreover, it has been found that most strikes occur in irregular or seasonal industries and that time and production losses caused by disputes are made up by increased production at other periods of the year. Time lost on account of strikes and lockouts is insignificant compared with that resulting from other causes. Official estimates for the United States show that illness, injury from accidents, and "personal reasons" cause the average industrial worker a loss of twenty days a year, or a total of 260,000,000 work-days for the 13,000,000 workers in industrial pursuits. The financial loss to workers for causes other than strikes is between $1,300,000,000 and $2,000,000,000,

approximating the amount lost because of strikes and lockouts. During 1920 and 1921, however, unemployment cost the workers of this country $10,000,000,000, according to estimates made for the National Conference on Unemployment. In New York State in 1916 the per capita loss on account of strikes was two days, which was only one-fifth as serious as the average time lost through illness. The economic loss incurred by wage-earners because of strikes, therefore, is much less than in popularly supposed.

Causes of Industrial Unrest.—The causes of industrial unrest may be classified as *psychological, moral, political, social,* and *economic.* Some of these causes are temporary, vanishing with improvement in industrial conditions and labor policies; others are more or less permanent, apparently deep-rooted in the foundations of the economic system.

1. The *psychological* causes of industrial unrest develop from the mental reactions of the workers. Industrial employment with its minute subdivision of labor, long hours, rigid discipline, and suppression of native ability fails to elicit cheerful coöperation and often incites rebellion within the individual. The reason for labor inefficiency is often found in the fact that there is little room for choice in the niche that men and women must fill in industry. Work becomes drudgery for the great mass of industrial workers whose native impulses and aspirations are stifled by the oppressive monotony of machinery. Men become mere automatons, just cogs in the complex mechanism of industry. The fullest expression of individuality is hardly possible under such circumstances, and mass protest is the logical result. Differences in economic status resulting either from inequalities in capacity, or from "pull" rather than inherent natural ability, place some men in lucrative positions and others in less profitable ones. The separation of interests resulting from the division of industrial classes into employers and employees has caused antagonism. Dormant passions of jealousy, envy, suspicion, and hatred are forced into

expression, and the result is repetitious strikes, labor turnover, and limitation of output.

Another important factor which affects the industrial struggle is the widespread and deepening conviction that wealth, which is produced largely through the efforts of the wage-earners, is distributed so unevenly as to constitute a gross injustice. The workers wonder why there is no equitable relation between hard, honest toil and adequate reward; why there is no security of employment, and their families must suffer because of the varying fortunes of industry; why the unskilled workers, who are so indispensable to modern production, are so negligible a factor socially; why it is that he who serves least or not at all may reap the richest harvest in the distribution of the product of industry. Thus besieged with wonderings, the workers' minds are receptive to the plausible logic of the soap-box orator who gives them promise of a wage-earners' millennium in which there will be no master-capitalist class.

2. The *moral* conditions that conduce to industrial unrest are found in the uncertainty and abuse of contractual relations. As credit is the foundation of modern industry, business, and commerce, so mutual trust and confidence are fundamental to successful and peaceful industrial relations. Motivated by self-interest, fear, and suspicion, each of the parties to industrial agreements is prone to disregard the interests and welfare of the other and to interpret contractual relations in terms of only one group interest. Contracts and agreements are disregarded or broken, with no thought of the unmoral character of such actions. Subversion of moral standards in contractual relations breeds suspicion and antagonism, and unrest will continue so long as ethics have no place in industry.

3. The *social* causes of unrest are found in what may be called the social environment of industry. Our industries are stuffed into congested cities and the congestion of population increases with the addition of each new plant. The worker cannot afford to live a long distance from his labor, desirable though it may be. Consequently,

wage-earners must live in unattractive homes in the midst of an even less attractive neighborhood. Opportunities for proper social activities and recreational life do not exist, and the degenerating social environment is added to the drudgery of toil to produce a restlessness that finds its expression in industrial grievances and strikes. Only in recent years have employers recognized the potency of these social factors in industrial unrest.

4. It is not easy to detect the *political* causes of industrial unrest, but the relationship is unmistakable. There is an increasing feeling among wage-workers that political power should be exerted more directly in the interests of the workers, who form the majority of the nation, and that representation and influence in governmental activities should be proportionate to numbers and not to wealth or prestige or any other less important consideration. Workers do not have a degree of control over legislation proportionate to their numerical strength, and even in the courts the bias of judges in favor of property rights and employers results in extreme injustice to the working class. Property rights are protected and human rights, guaranteed under the constitution, are subverted.

5. Important as are all the foregoing causes of unrest, *economic* conditions are most fundamental in producing the industrial conflict. The specific causes of unrest are grouped around the questions of wages, length of the working-day, conditions of employment, and security of employment. The workers contend that every trade and occupation should guarantee a minimum wage sufficient to provide a standard of decency and comfort, and that the wage scale should bear an agreed relation to the profits of industry. Industrial disputes often arise from a desire for fewer hours of labor, improved physical conditions of employment, a share in the management of industry, and relief from the recurring evil of unemployment. Employers, on the other hand, protest against the inefficiency of labor, the persistent attempt to shorten the working-day to unreasonable limits, the constant interference of business agents of the union, disregard of the

rights of nonunion men, and the increasing tendency to limit freedom in the control of industry.

Disputes concerning wages or wages and hours are responsible for 50 to 70 per cent of strikes in most years, although the responsible factors vary considerably from year to year. Of the 17,806 strikes that occurred between 1916 and 1920, for example, about 10,000, or 55 per cent, were caused totally or partially by disputes over wages. Recognition of the union, or recognition of the union combined with the question of wages and the employment of nonunion workers, is the second most important cause of strikes. Recognition, hours, and wages are often coupled in the demands of labor. Discrimination against union workers, unfair treatment by foremen, discharge of fellow workers, undesirable conditions of labor, and nonpayment of wages are prominent causes of disputes. The most important cause of lockouts is the refusal of employers or employers' associations to recognize the union and establish the union shop. Direct negotiation between employers and employees, through the medium of representatives of both sides, is the exception and not the rule in American industry; this fact constitutes a central cause of friction in industrial relations.

The Legal Status of Unions and Union Methods.—In examining the legal status of labor organizations, strikes, boycotts, picketing, unfair list, and other methods of enforcing collective action, one is impressed with the conflict of judicial interpretation and decision in the United States as compared with the definiteness and uniformity of the law in such countries as Great Britain.

1. *The Development of English Law in Relation to Industrial Disputes.*—Medieval regulations restricted free competition in the labor market, and the Combination Acts, which were passed between the sixteenth and the eighteenth centuries, made illegal collective action for the purpose of raising wages, reducing the number of hours of work, or changing the conditions of labor. For this reason trade unionists were prosecuted as

revolutionists during the first twenty years of the nineteenth century, but the policy of suppression stimulated violence and sedition, and the Combination Acts were repealed in 1824. The act of 1825 recognized and established the right of collective bargaining, thereby sanctioning the right of workers to withhold their labor from the market by concerted action. This was a definite step in the emancipation of the workers. The courts continued to look upon labor organizations as institutions functioning in restraint of trade, and not entitled to legal protection. By the act of 1871 (amended 1876), however, no trade union was henceforth to be judged illegal merely because it was in restraint of trade, unions were entitled to registration under the law, and protection was given their funds. Trade unions thus enjoyed the freedom of a corporation without assuming its legal responsibilities.

Under the Conspiracy and Protection of Property Act of 1875, the status of trade unions was further strengthened by a clause repealing the old law of conspiracy in trade disputes between employers and employees. The legalization of trade-union methods was now accomplished and peaceful picketing was definitely permitted. No act committed by a group of workmen was henceforth to be punishable unless the same act, when done by an individual, constituted a criminal offense. Trade unions were thus given a peculiar legal position. They could not be treated as criminal organizations; their members and officers could not be punished in the performance of their duties; and they were under no limitations in so far as criminal law was concerned. It was supposed, moreover, that trade unions were protected by law in all their civil functions and enjoyed freedom from damages resulting from strikes and boycotts.

In 1901, after thirty years of unquestioned immunity, the judges in the Taff Vale case decided that a trade union could be made answerable in damages for all acts of its officials as if it were a corporate body. For its activities in connection with the strike on the Taff Vale Railway in South Wales, the Amalgamated Society of

Railway Servants was compelled to pay £23,000 in damages. The judgment was sustained by the House of Lords which is the highest court of Appeal in Great Britain. Protection from civil prosecution was immediately sought by the trade unionists and in 1906 the Trade Disputes Act was passed, which remains the charter of trade unionism in Great Britain. Under the terms of this act no civil action can be entertained against a trade union on account of any wrongful act committed by or on behalf of the union. Although the act does not abrogate the law of civil conspiracy, it gives exceptional protection to trade-union officials by providing that, when committed in connection with a trade dispute: "(1) An act done in concert shall not be actionable if it would not have been actionable if done without concert; (2) attendance solely in order to inform or persuade peacefully shall be lawful; (3) an act shall not be actionable merely by reason of its inducing another person to break a contract of employment, or of its being an interference with another person's business, or with his right to dispose of his capital or his labor as he chooses."[4]

By the Trade Union Act of 1913 labor organizations are given power to include in their constitutions any lawful purpose so long as its principal objects are those of a trade union as defined in the act of 1876, and to spend money for any purpose thus sanctioned. This law strengthens the political functions of unionism in the British Isles, since union funds can now be spent legally in securing the election of labor members to Parliament, and other bodies.

2. *The Law in the United States.*—Labor law and judicial opinion in the United States are still vague and conflicting. The rights of organized labor differ greatly between the various states, and even in the same state a perplexing conflict of judicial opinion is often found. The result is that the terms strike, boycott, and picketing are not

[4] Sidney and Beatrice Webb, *History of Trade Unionism*, 1920 ed., p. 607.

standardized, and a puzzling uncertainty surrounds collective action on the part of the workers.

(*a*) *Strikes.*—The legality of labor organizations is no longer questioned in the United States, but the methods which they may employ in making their collective action effective are seriously limited. A decision handed down by the United States Supreme Court in 1921, in the case of the American Steel Foundries Company *v.* Tri-City Trades Council, involving union activities in a strike at Granite City, Illinois, stated that labor organizations have a clear legal right to undertake the unionization of workers in nonunion plants, even where they have no members, so long as they keep within the limits of lawful propaganda and other lawful means. This extension of the right to organize was a signal victory for the unions, but the same decision imposed serious limitations on certain other union activities.

Interpreted as merely the act of quitting work collectively, the strike is recognized as legal, but strikes generally imply concerted action to enforce certain demands, thus introducing the element of combination and threat which the courts usually do not sanction. Strikes for the primary purpose of injuring the employer or nonunion workmen are generally considered illegal, practically all strikes being condemned whenever the element of intimidation or coercion is manifested. Although the law of strikes in the United States is characterized by a maze of conflicting decision, some general tendencies have appeared in judicial opinion in recent years. Except where such action is prohibited by statute, as under the Kansas Industrial Court Act of 1920, strikes for the purpose of increasing wages and decreasing hours are considered legal, while strikes to gain a closed shop, sympathetic strikes, and strikes against the use of nonunion material are generally illegal, except in California where all strikes are legal. Whereas, in the early years of the nineteenth century no man was at liberty to "combine, conspire, confederate, and unlawfully to agree to regulate the whole body of workmen," and combinations of work-

men, whether designed to benefit the workers or to injure the employers, were illegal, the general view to-day is that "whatever one man may do alone, he may do in combination with others, provided they have no unlawful object in view."

Motive becomes the central factor in determining the legality of strikes. If the dominant motive is to benefit the workers, that is, if labor organizations strike for higher wages, shorter hours, and improved conditions of employment and employment relations, their action is considered legal. "A peaceable and orderly strike, not to harm others, but to improve their own conditions, is not a violation of law." On the other hand, strikes are not legal if the object is to gratify the motive to inflict injury on others, or if they are accompanied by violence and coercion. Not motive but conduct becomes the criterion of legality in the courts of California. "In case of a peaceable and ordinary strike, without breach of contract and conducted without violence, threats, or intimidation, this court would not inquire into the motives of the strikers. Their acts being entirely lawful, their motives would be held immaterial." The determination of motive is extremely difficult, and the prejudice of the judge is likely to be the ultimate basis of the decision.

Strikes of policemen and firemen or any strikes against the government, and strikes involving the obstruction of the mails, interference with transportation facilities between states, or restraint of interstate commerce are in great disfavor and likely to be, *per se*, illegal. Strikes of public employees were condemned almost unanimously in the United States when, in the summer of 1919, police and fire departments in several American cities organized and struck. In the United States, England, and Canada there is legal prohibition against public employees joining labor unions. Under the Sherman Anti-Trust Act of 1890 the strike action of organized labor is often considered a conspiracy restraining interstate commerce.

(*b*) *Boycotts.*—Although a great deal of conflicting opinion obtains, there is more agreement concerning the

legal status of boycotts than of strikes. In both cases the motive is frequently the deciding factor. Boycotts organized with intent to injure are held illegal. In the United States courts have usually condemned boycotting as illegal on the ground that all boycotts imply an effort to "coerce" third parties, and are, therefore, conspiracies limiting or obstructing the exercise of constitutional rights which protect life, liberty, and property. The primary boycott is sometimes distinguished from the secondary boycott, the latter involving boycott of a third party, usually a merchant who sells the product of the employer primarily boycotted. It had been decided prior to the Clayton Act that the use of secondary boycotts and the publishing of lists of unfair dealers were within the prohibitions of the Sherman Act, without reference to the matter of peaceful persuasion or threats of force. The primary boycott, if peaceful, was viewed as legal in many jurisdictions. The distinction is immaterial in practice, since it is difficult to conceive of a successful boycott not involving a third party.

The Danbury Hatters' case in 1908 gave a serious blow to the employment of the boycott by American trade unions.[5] In this case the Hatters' Association had interfered with interstate commerce in the products of the Loewe Company, by boycotts carried on throughout the country at the points of retail distribution. For this action the association was subjected to a penalty three times the amount of damages found to be incurred, aggregating nearly $300,000, levied against 175 members of the hatters' union. The decision resulted in the discontinuance by the American Federation of Labor of its "We Don't Patronize" list and greatly diminished the use of the boycott.

The Clayton Act, approved October 15, 1914, amended the anti-trust act of July 2, 1890, popularly known as the Sherman Act. An important change made by this act (section 16) gives to private parties a right to relief by injunction in any court of the United States against

[5] See Loewe *v.* Lawlor, 208 U. S. 274, 28 Sup. Ct. 301 (1908).

threatened loss or damage by a violation of the anti-trust laws. Picketing, boycotting, strike benefits and advising of others to cease to patronize are lawful if carried on by peaceful and lawful means. On January 3, 1921, the Supreme Court of the United States rendered an important decision, three justices dissenting, which construed the Clayton Act in the case of the Duplex Printing Press Company of Battle Creek, Michigan, *v.* E. T. Deering *et al.* (41 Sup. Ct. 172). The Duplex Company refused to recognize the union and employed both union and nonunion men, working long hours and not having the union scale of wages. Two other companies which had accepted the demands of the International Association of Machinists notified the latter that they would be obliged to terminate their union agreements unless the Duplex Company would accept the same terms, thus equalizing competitive conditions. The Machinists' Association called a strike at the Duplex factory which was ineffective, and then proceeded to boycott the products of the company in New York City and vicinity, which is an important market for presses manufactured by that company. This action involved third parties, and the legality of the secondary boycott under the Clayton law was challenged.

Sections 6 and 20 of the Clayton Act were the provisions in question when the case reached the United States Supreme Court. The former section declares that the existence and operation of labor unions shall not be regarded as a violation of the Sherman Anti-Trust law, and the latter section states that in suits between employers and employees, growing out of or involving a dispute concerning conditions of employment, no injunction shall be issued to prevent people from inducing others to go out on strike, from paying strike benefits, from peaceful picketing and peaceful boycotting, and that none of such acts shall be held to constitute a violation of any law of the United States. Concerning section 6, the majority of the court (six out of nine) held that the provision assumes the normal objects of labor unions to be lawful and merely declares that they are lawful, but does not

relieve such organizations from liability where they go outside their normal activities and commit acts which violate any statutes of the United States. With regard to the provisions of section 20, the prevailing opinion interpreted them as applying to employers and employees involved in the controversy and not covering acts done by third parties not occupying a proximate relation to the controversy, and held further that these provisions did not authorize people to instigate sympathetic strikes, picketing, and boycotting against employers wholly unconnected with the establishment primarily boycotted. The secondary boycott, therefore, remains as it stood prior to the Clayton Act—illegal. A more liberal view is developing in some jurisdictions. In California and Oklahoma boycotts have been held legal, some courts in New York have sustained the boycott, and in Missouri and Montana the printing and the distribution of circulars for purposes of boycott may not be directly enjoined by the courts.

(*c*) *Picketing.*—The effectiveness of strikes depends upon the success of the strikers in preventing the employer from securing new employees to take their places in the plant. Peaceful picketing was legalized in Great Britain by the Trades Dispute Act of 1906, and is generally considered legal in the United States, although there is a marked difference of judicial opinion. The use of persuasion has generally been held legal, but intimidation and coercion have been condemned. On December 5, 1921, Chief Justice Taft delivered an important opinion on the subject of picketing, giving what has been characterized as the most complete statement of the law on this point yet enounced by the Supreme Court of the United States.[6] In the case under consideration violent methods appear to have been used, and the attitude of the picketers was said to be continuously threatening, with the result that employees and would-be employees were put in fear and the operation of the plant interfered with. According to the opinion of the court, there are limits

[6] American Steel Foundries *v.* Tri-city Trades Council, 42 Sup. Ct. Rep., p. 72.

beyond which even persuasion and communication may not go without violating the right of those who are to be influenced. Protection from annoying importunity and intimidation is said to be the primary right of the employees in their choice to work for whom they will, while the employer also is entitled to free access to his employees as an incident to his property and business. "In going to and from work, men have a right to as free a passage without obstruction as the streets afford, consistent with the right of others to enjoy the same privilege." Peaceful communication is sanctioned, but "if . . . the offer is declined, as it may rightfully be, then persistence, importunity, following and dogging become unjustifiable annoyance and obstruction which is likely to savor of intimidation." The number of persons permitted to be stationed at each point of ingress and egress was limited to one, with the "right of observation, communication, and persuasion but with special admonition that their communication, arguments, and appeals shall not be abusive, libelous, or threatening, and that they shall not approach individuals together, but singly, and shall not in their single efforts at communication or persuasion obstruct an unwilling listener by importunate following or dogging his steps." This, however, is not to be laid down as a rigid rule, but each case must be considered on its own merits. This opinion was everywhere heralded as a severe defeat for trade union methods.

The law and court decisions governing picketing in the various states are conflicting. California courts, which recognize both the strike and the boycott as legal, condemn picketing as necessarily intimidating and, therefore, illegal. The courts of several other states hold the same view, and at least three states have statutory provisions against picketing. Peaceful picketing is lawful in many states. It is extremely difficult to determine where persuasion ends and intimidation begins, and this fact accounts for much of the conflict of judicial opinion. Many courts incline to the view that peaceful picketing is impossible. "There is no such things as peaceful picketing.

The very fact of establishing a picket line by appellants is evidence of their intention to annoy, to embarrass, and to intimidate the employees of the appellee company, whether they resort to violence or not. The decisions of the Supreme Court have abundantly established that as the law of the state."[7] "There is and can be no such thing as peaceful picketing, any more than there can be chaste vulgarity, or peaceful mobbing, or lawful lynching."[8]

(*d*) *The union label.*—In addition to the strike, boycott, and picket, organized labor attempts to promote the cause of unionism by creating a demand for union-made goods. This is done by means of the union label which consists in putting the union stamp upon the product of the craft. Only employers who maintain union standards of labor are authorized to use the label. The union label, therefore, has come to signify to the workers superior quality of material, sanitary conditions of production, reasonable wages, a fair working-day, and the absence of child labor, prison labor, and other forms of cheap labor.

The union label originated in a protest against Chinese labor in California. Cigar making proved an attractive field for the Chinese who flocked to it in large numbers in the early seventies. As a means of limiting the employment of yellow labor in their trade the white cigarmakers of San Francisco adopted a "white" label which was attached to boxes containing cigars made by white labor. This was not a union label as the term is now used, since it was adopted by all manufacturers employing white workers, regardless of union affiliation, but the idea originated with the union cigarmakers in 1874. The inception of the union label is found among the cigarmakers of St. Louis in 1878, who were out on strike for improved conditions, and found it necessary to secure public support by differentiating betwen union- and non-union-made cigars. A red label was attached to all boxes

[7] Decision of the Appellate Court in Chicago, June 19, 1921, *in re* the striking employees of the American Cigar Company.
[8] Atchison, T. & S. F. Ry. *v.* Gee, 139, Fed. 582 (1905).

containing union-made cigars. In 1880 the International Convention of the Cigarmakers' Union adopted the label. In 1885 the hatters' label appeared, in 1886 the label of the garment makers, and in 1891 this simple agency of improvement was applied by the printers, iron-moulders, shoemakers, horseshoers, and numerous other crafts. Within a quarter of a century the union label spread from a single industry to more than fifty trades in North America. In 1920 there were fifty labels and ten cards issued by organizations affiliated with the American Federation of Labor and bearing the indorsement of that body. Moreover, one of the five departments of the federation is known as the Union Label Trades Department. This department includes all national and international unions using labels, cards, or buttons upon commodities, and exists chiefly to promote the demand for union-made products. Local unions are often organized into label leagues for the purpose of disseminating information concerning the advantages of goods bearing the label of the various crafts. The 1921 convention of the American Federation of Labor urged the use of the label by all affiliated crafts. In organizing the buying power of the workers the Union Label League movement is fashioning a powerful weapon for the advance of unionism. The movement for union-labeled goods has spread to the United Kingdom, Canada, and Australasia.

The unions that use a label claim many advantages for it; namely, that it represents peaceful collective bargaining, and forbids both strikes and lockouts except as a last resort; accomplishes by peaceful means and with absolute certainty at little cost that which the strike and the boycott achieve at great cost and sacrifice; affords a guaranty that the wages earned under union conditions are spent on union products and for the maintenance of union standards; enlists the coöperation of housewives of the nation in the cause of labor and national welfare; brings under one standard all the forces that are opposed to sweatshop conditions, tenement house production, unsanitary factory conditions, Chinese labor, night labor,

and child labor; organizes the purchasing power of the unionized millions, and substitutes reason for force. Under the common law the union label is not afforded the protection of the trade-mark, and no injunction can be issued to restrain its unauthorized use, but it is generally given the protection of statute law. Laws passed to give the union label recognition have usually been held constitutional, and not class legislation as those who oppose it contend. Appellate courts have sustained the action of the lower courts in establishing the legality of the label. In its important decision in the Coronado coal case in June, 1922, the United States Supreme Court stated: "The so-called union label, which is a quasi trademark to indicate the origin of manufactured products in union labor, has been protected against pirating and deceptive use by the statutes of most of the states, and in many states authority to sue to enjoin its use has been conferred on unions."

(*e*) *Blacklist.*—The majority of states have statutory provisions against the practice of blacklisting, but such laws have been ineffective on account of the difficulty of producing satisfactory evidence against employers, who can use the blacklist secretly. In actual practice the blacklist is legal where, as is usually the case, it consists merely in the exchange of information and leaves each employer free to act on his own judgment. Most of the antiblacklist statutes merely prohibit the circulation of information as to who are members of unions, or willful attempts and combinations to prevent persons from securing employment. In all probability the courts would hold such laws constitutional, but in view of the absolute right of the employer to hire and fire, he is apparently entitled to receive from former employers information concerning an employee, and can, therefore, easily circumvent the provisions of the statutes. It is sometimes held that the person who circulates information about an employee's union affiliation and activities may be punished, but the employer who acts upon such advice is within his legal rights. Moreover, the telephone and other modern facilities for communication make it possible to in-

stitute an effective blacklist system that cannot be detected easily, even if earnest attempts were made to enforce the law.

The same object gained by the blacklist can be achieved by using the whitelist, or an employment clearance card which must be presented to obtain employment and is surrendered while in the employ of the company. There is no redress under the law for the wage-earner discharged for union sympathies and activities, nor are statutes constitutional which aim to prevent employers from coercing men into surrendering union affiliation on the threat of discharge. The blacklist and the whitelist can be applied secretly, whereas the boycott, which is the workers' counter-weapon, is necessarily attended by public demonstrations, thus placing the employer at a distinct advantage. The legality of the blacklist depends upon motive or intent but here, even more than in the case of the strike and boycott, intent is difficult, if not impossible, to determine.

The Use of the Injunction in Industrial Disputes.—An injunction is an order issued by a court of equity for the purpose of preventing injury to a person or property or of preserving the existing conditions until the final determination of rights. This restraining power of the courts has assumed great importance in relation to the use of strikes, boycotts, and picketing. Viewing the injunction as an extraordinary remedy to be used only when property and personal rights are imperiled and available remedies at law are inadequate to meet the exigency, Great Britain and several American states have prohibited its use between employers and employees in any case growing out of a dispute concerning terms and conditions of employment, unless injury through violence is threatened. The year 1888 marks the first recorded opinion of an injunction in labor litigation, and even at the close of the last century its use in labor disputes was exceptional. In recent years, however, the courts have developed a tendency to issue restraining orders in the use of the unfair list, boycott notices, and similar practices of organized

labor. A violation of such an order may be punished by fine or imprisonment as constituting a contempt of court, and trial by jury is not allowed.

The scope of an injunction may be very comprehensive and its effects far-reaching, since it can be applied to any act which the court thinks may result in irreparable injury to property. In the Buck Stove and Range case, for example, the writ prohibited the "officers of the American Federation of Labor, officers and members of affiliated unions, friends, sympathizers, counsel, conspirators, and co-conspirators" from making any reference whatever to the fact that the company had ever been involved in any dispute and disturbance with labor, or to the fact that the said company had been considered unfair, had ever appeared on the unfair list, or on a "we don't patronize" list of the American Federation of Labor or any other organization; and also enjoined any person from referring, either directly or indirectly, to any such dispute by printed, written, or spoken word. During the bituminous coal strike of 1919, the Department of Justice asked and was granted, by Judge Anderson of the United States District Court at Indianapolis, an injunction restraining the officials of the United Mine Workers of America from calling a strike and from distributing strike funds. The order went further and instructed the officials to have the men return to work. This was done, but with little or no effect. Thus even the right to quit work may be enjoined under extraordinary conditions.

Considerable relief was expected from the Clayton Anti-Trust Act of 1914, which provided for a trial by jury in contempt cases where the offense charged is also indictable as a crime, and specified that injunctions issued by the federal courts shall not prohibit the quitting of work, the refusal to patronize, peaceful picketing, and peaceful persuasion, and that such acts are not to be considered violations of any law of the United States, whether done singly or in concert, provided they are not done in an unlawful manner. The Clayton law was characterized as labor's Magna Charta because it declared

that: (1) The labor of a human being is not a commodity or article of commerce; (2) labor organizations shall not be construed as illegal combinations or conspiracies in restraint of trade under federal anti-trust laws; and (3) no preliminary injunction shall be served without notice to the opposite party, and no temporary restraining order without similar notice, unless it is evident that immediate and irreparable injury will result before notice can be served and a hearing held. Recent judicial decisions have disillusioned the workers and they find that the substantive rights of employers and employees are not changed materially by the Clayton law. Moreover, the federal law does not offer relief from the abusive use of the injunction by state courts.

On December 19, 1921, the Supreme Court of the United States, by a five to four decision, declared unconstitutional the 1913 Anti-Injunction Law of Arizona, which had been sustained by the state courts. The case (Truax *v.* Corrigan) was an appeal from the decision of the supreme court of the State of Arizona refusing an injunction in a labor dispute. An injunction had been asked to prevent picketing, the advertising of a strike, and an alleged conspiracy and boycott to injure the plaintiffs in their restaurant business. The complaint alleged the circulation of handbills containing abusive and libelous charges against the plaintiffs, their employees, and their patrons, as well as intimations that harm would result to those patronizing the restaurant. The majority opinion of the United States Supreme Court held that the actions of the strikers were not lawful persuasion but coercion, violating the fundamental principle that the plaintiffs' business is a property right, and that free access for employees, owners, and customers to the place of business is incident to such right. A law which operates to make legal such actions "deprives the owner of the business and the premises of his property without due process of law, and cannot be held valid under the fourteenth amendment," the court decided. Moreover, the law did not give

citizens equal protection, but conferred class privilege, with the result that the property right of another class was limited. The minority opinion held that the law did not involve arbitrary and unreasonable classification since the relation of employer and employee has been accepted as a basis for special classification, nor was there any abridgment of the fourteenth amendment to the Constitution of the United States.

Moreover, the dissenting opinion contended that the extraordinary relief by injunction may be denied to a class, through the exercise of the police power, when the legislature of the state deems it necessary to make such denial in the interest of public welfare. The opinion of Justice Holmes is significant: "Legislation may begin where an evil begins. If, as many intelligent people believe, there is more danger that the injunction will be abused in labor cases than elsewhere I can feel no doubt of the power of the legislature to deny it in such cases." It is this abusive use that has led organized labor to demand that injunctions shall not be applied in disputes between employers and employees and that trial by jury shall be provided in contempt cases.

In a few cases injunctions have been requested by unions. In a recent case (Schlesinger *v.* Quinto, Sup. Ct. of N. Y., 192 N. Y. Sup. 564) the International Ladies' Garment Workers' Union and the Joint Board of Cloak Makers' Union of the City of New York secured an injunction against the Cloak, Suit and Skirt Manufacturers' Protective Association. The writ restrained the association from abrogating a collective agreement which was negotiated in May, 1919, and was to be effective until June, 1922. Another important case (Carpenters' Union *v.* Citizens' Committee to Enforce the Landis Award—1921-1922) is the action of the Chicago Carpenters' Union in asking the Superior Court of Cook County for an injunction against a committee of citizens organized voluntarily to compel compliance with the award of Judge Landis in the building trades dispute. The court recognized the illegality of the committee's action

but denied a preliminary injunction on the ground that the union had often acted in bad faith with regard to industrial relations.

Violence and Force in Strikes.—Strikes and lockouts in recent years have not been accompanied by the violence and loss of life that characterized early struggles between labor and capital. Notable exceptions include the guerrilla warfare in the coal fields of West Virginia and Kentucky, the mine massacre at Herrin, Illinois, and the murders in the building trades in Chicago, in 1921 and 1922. Impartial investigation disclosed little violence in the great coal and steel strikes of 1919, and prior to the anthracite and bituminous coal strike of 1922 the officials of the United Mine Workers of America urged the men to conduct the strike peacefully. Much of the violence that has been reported in the daily press has existed only in the imagination of news-hungry reporters who sought "a story." The unlawful disturbances that have existed have been incited in a large degree by a radical minority among the workers, the unreasonable interference with free and peaceful assemblage by corporation-controlled public officials, and the employment of professional thugs to break strikes. The apparent diminution in the use of force in connection with strikes and lockouts may be attributed to three conditions: (1) Employers appear to close their establishments during a disturbance and employ strike-breakers in fewer cases than formerly; (2) public opinion now generally condemns the employment of unlawful methods in industrial disputes; and (3) employers' associations and labor organizations manifest a strong desire to obtain the goodwill and sympathy of the public, which are alienated by the use of violence.

Conclusions.—Unrest among the industrial masses is the product of unremedied but remediable conditions in social and economic life, and will continue so long as economic groups have divergent interests and different points of view concerning the control of industry and the distribution of the product of industry. There is no panacea for industrial disturbances, nor are these con-

flicts altogether an evil. Strikes and other manifestations of dissatisfaction are the growing pains of industrial society, and often constitute healthy protests against undesirable conditions of employment, the continuation of which would impede social progress. Not repression, but direction into constructive channels, coupled with determination to introduce justice into industrial relations, is needed in dealing with these recurrent rebellions against things as they are. This necessitates the creation of a spirit of fair play and adequate methods of adjustment.

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Part Three

AGENCIES AND METHODS OF READJUSTMENT

CHAPTER XV

LABOR ORGANIZATIONS—HISTORY AND TYPES

The Reasons for Organization.—Labor organizations exist primarily for the purpose of collective bargaining. Collective bargaining is the joint determination of the terms of employment by an organization of workers and an employer, or an association of employers, acting through their duly authorized representatives. Although the collective bargain is as old as the individual bargain, it was the failure of the latter to safeguard the interests of the workers that led to the extension of collective action. Collective bargaining is not confined to trade unions. Long before the modern trade union became an established institution informal deputations of workers endeavored to improve their conditions of employment by group action, and to-day shop committees, works councils, and so-called "company unions" provide a form of collective bargaining which is frequently independent of trade unionism. Moreover, collective bargaining is really carried on by associations of agriculturists, physicians, dentists, manufacturers, and other professional and business groups which in one way or another seek to standardize the price of services and products. Trade unions, nevertheless, are the most powerful exponents of true collective bargaining in the industrial world.

Unionism and collective bargaining cannot be evaluated properly without weighing carefully the relative advan-

tages and disadvantages of the individual bargain. Defense of individual bargaining rests usually on what are commonly stated to be the disadvantages of the collective bargain in relation to freedom of contract. Collective bargaining implies a limitation of freedom to negotiate individual contracts and agreements. Such limitation is obnoxious to the spirit of individualism which protests any outside interference with the economic freedom of the individual. Membership in an employers' association, a labor organization, or any other institution implies a willingness to subordinate the will of particular individuals to the collective will. Collective bargaining presupposes the acceptance of agreements and contracts that are determined collectively through the agents of the group.[1] This is manifestly a surrender of certain individual rights and privileges and is not infrequently condemned as an infringement upon the "natural rights" of the individual to unrestricted economic activity. Individual bargaining is commended as promoting, and collective bargaining is condemned as destroying both the freedom of the worker to sell his labor under any conditions he deems acceptable and the freedom of the employer to buy labor on the cheapest market and run his business as he sees fit.

Bargaining individually with the employer, the worker is at a serious disadvantage because of differences in economic status, bargaining knowledge and skill, the nature of the labor supply, and other conditions. The employer usually is not forced to take the labor of any particular worker, since substitution is easy except in the case of the most skilled groups, and even in skilled trades machine processes tend to increase the possibility of substitution. The worker enjoys no such advantage, since he must usually accept the particular job offered him or else face the alternative of charity or starvation. The employer can afford to wait for a worker who will accept the conditions; the worker cannot wait for the employer who will hire him at attractive terms. Labor is perishable; a day's labor lost is not regainable. Re-

[1] Sidney and Beatrice Webb, *Industrial Democracy*, 1920 ed., p. 173.

fusal of a job may mean to the worker the loss of life and serious danger to the health of those dependent upon him, whereas the employer stands to lose just so much profit. The successful employer has a reserve of property and wealth that furnish a basis of credit; the worker possesses no such financial or credit reserve. To the worker unemployment means the accumulation of debt or the acceptance of charity. The employers' superior knowledge of labor conditions and commodity markets, coupled with their greater experience and skill in making contracts, gives them the advantage in bargaining with the workers. "The making of bargains and agreements, which occupies only an infinitesimal fraction of a workman's life and thought makes up the daily routine of the commercial man."[2]

Finally, competition among workers for jobs is almost always severe on account of the labor reserve, and the public demands for cheap goods. There is practically never an equilibration of the demand for and the supply of labor. Thus there is likely to be within any group of workers an oversupply of labor, and this excess is usually greatest among those who are the weakest bargainers; namely, the unskilled. Under such conditions, a progressive deterioration of the terms of employment is almost inevitable, the standard being reduced to the level commanded by the weakest bargainer in the group. The "public," which is so anxious to protect its own interests in periods of industrial strife, gives little thought to the possibility that, in order to supply commodities at low prices, fellow citizens in industry may have to accept a wage scale that means malnutrition, poverty, and charity.

To prevent this progressive deterioration in the standards of employment and to improve the economic status of the workers, collective bargaining is introduced, which excludes from determination of the labor contract the exigencies of individual circumstances. Collective bargaining substitutes group action for individual action in negotiating, interpreting, and enforcing contracts and

[2] *Ibid.*, p. 182.

agreements. Collective bargaining implies certain principles of procedure. (1) Wherever competition may arise among the workers the cardinal principle of true collective bargaining requires uniformity of wages and conditions of work. There must be a uniform minimum of standards below which no member of the group will consent to work. (2) The principle of standardization must be expressed in restrictive regulations that will prevent changes in the terms of the labor agreement during the specified life of the compact. These fundamental principles of collective bargaining can be maintained most effectively by organization of the workers. True collective bargaining can exist only when both employers and employees are organized effectively in independent associations for the negotiation of trade agreements. This is fundamental to uniformity of requirements, standardization of conditions, equitable interpretation of agreements, and protection of both groups of interests. For the workers, collective bargaining finds its true expression in trade unionism; for the employers, the employers' association is the logical medium.

Types of Unionism.—Viewed in its broadest aspects a labor organization is an association of employees for the purpose of improving their economic, legal, political, and social status. Of these purposes the promotion of economic well-being is undoubtedly the most prominent. Workers seek to improve their legal and political position in order that their struggle for better wages, hours, and conditions of employment may be more successful. Generally speaking, there are three distinct structural types of labor organizations; namely, *trade unions, labor unions,* and *industrial unions.*

1. The *trade union* is an organization of wage-earners engaged in a single trade or several closely related trades. Each trade association seeks through collective bargaining to secure better conditions of employment for its own particular group of workers. For this reason the trade union is often described as being "trade-conscious," having little concern for the general solidarity of the working class.

The familiar weapons of trade unions are the strike, boycott, unfair list, and union label. Reliance upon political action is indirect rather than direct, the general policy being to work with existing political parties, rewarding labor's friends and punishing labor's enemies. This is especially true of trade unionism in the United States. In some countries, such as Great Britain, the workers have their own political parties so that their political representation is direct. The Brotherhood of Locomotive Engineers and the International Typographical Union are examples of trade unionism in the United States.

2. The *labor union* attempts to bring within one organization all workers without distinction as to craft or industry. It is thus essentially an amalgamation of wage-earners, and even employers and other members of the so-called middle class have sometimes been taken into the organization. The fundamental ideal, however, is the unity of all wage-earners. The major emphasis is placed on non-industrial action, that is, on social legislation, political reforms, education, producers' coöperation, consumers' coöperation, and socialistic schemes. The labor union is conciliatory rather than warlike, and projects the doctrine that the interests of employers and employees are identical and harmonious. Its program, in distinct contrast with the immediate and practical program of trade unionism, is permeated with idealism. Whereas the government of the labor union is highly centralized, that of the trade union is decentralized, vested in the local craft organizations. The Knights of Labor is representative of this type of unionism.

3. The *industrial union* is an association of wage-earners employed in a given industry. Homogeneous combination of all workers—skilled, semiskilled, and unskilled—engaged in a given field of production or distribution is its aim. Craft lines are thus ignored in building the structure of industrial unionism. For example, in the mining industry coal diggers, helpers, firemen, shot firers, door boys, haulers and drivers, engineers, spraggers, timbermen, laborers, dumpers, check-weighmen, and other mine workers are assembled in one homogeneous organization. The

fundamental purpose of the industrial union is to make the workers' organization coextensive with the integrated structure of the capitalistic organization. The United Mine Workers of America, the International Union of Mine, Mill, and Smelter Workers (formerly the Western Federation of Miners), and the Amalgamated Clothing Workers are examples of industrial unionism. The Industrial Workers of the World (Chicago branch) represents the extreme left or ultraradical wing of industrial unionism. This extreme group believes in class war, direct action, and sabotage, and denounces craft unionism as reactionary and ineffective.

Unionism has also been classified according to its functional characteristics.[3] According to this classification the various types include: *business unionism, friendly* or *uplift unionism, revolutionary unionism,* and *predatory unionism.*

1. *Business unionism* is characterized by trade consciousness rather than class consciousness; conservative acceptance of the capitalistic system; emphasis upon immediate and practical reforms such as increased wages, shorter hours, and better conditions of work; insistence upon voluntary rather than compulsory arbitration of industrial disputes; freedom to use the strike, boycott, unfair list, union label, and other methods of effective collective bargaining; and democratic control of union organization. The majority of craft unions are of the business type. The most striking examples are the railroad brotherhoods.

2. *Friendly* or *uplift unionism,* like business unionism, is conservative. The friendly or uplift union, however, is inspired with a greater measure of idealism, and places the emphasis upon education, social insurance, profit-sharing, labor copartnership, labor legislation, coöperation, and other schemes which are designed to promote the general welfare of the workers. Collective bargaining is commonly practiced, but strikes and other weapons are used only as a last resort. The Knights of Labor is the best example of this type of unionism.

3. *Revolutionary unionism,* as the term suggests, is char-

[3] R. F. Hoxie, *Trade Unionism in the United States,* Chap. II.

acterized by a very definite class consciousness, deprecates the dismemberment of the labor movement into petty craft organizations unable to cope with corporate associations, believes firmly in the solidarity of labor, condemns the capitalistic system, advocates an industrial commonwealth controlled by and functioning for the workers, opposes opportunistic methods of collective bargaining, refuses all compromises with capitalism, and insists upon real democracy within unionism itself. Revolutionary unionism in America comprises two distinct groups; namely, (a) the *socialistic* group, comprising those who seek to establish a socialist state by political action, and (b) the *quasi-anarchistic* group, consisting of those who desire an industrial commonwealth founded upon free associations of workers owning and controlling their industries, such a commonwealth to be gained by industrial rather than political action. The former group is represented to a large extent by the International Union of Mine, Mill, and Smelter Workers; and the latter group by the Chicago branch of the Industrial Workers of the World.

4. *Predatory unionism* is less distinctly a type than those already discussed. Generally speaking, this type is opportunistic, shifting from conservatism to radicalism as expediency dictates. In achieving its aims ethical and legal considerations are likely to be disregarded. It comprises (a) *hold-up unionism,* and (b) *guerrilla unionism.* The former is dominated by autocratic bosses and corrupt business agents who accept bribes from employers in exchange for promises not to call strikes and to keep the contractors supplied with union men. The officials of this group have been accused of dispensing union labels for financial considerations, and of acting in collusion with employers in eliminating competitive conditions, thus maintaining the price level and passing the burden to the consumer. Monopoly, corruption, and violence are its common methods. Hold-up unionism has often been found in the building trades, and recent investigations in Chicago and New York indicate that it is still extant in our great cities. As a member of the building trades put it to the

writer: "The corrupt union machine in the building trades of some of our cities is no more respectable than the corrupt political machine, with which it is not seldom allied." Guerrilla unionism is different from hold-up unionism in that it is unlikely to make any compromises with the employer, but rather maintains its antagonism to the interests of the employing group. "It is secret, violent, and ruthless, seemingly because it despairs of attaining what it considers to be legitimate by business, uplift, or revolutionary methods."[4] The campaign of violence and sabotage conducted by the bridge and structural iron workers several years ago and the violent tactics of Chicago building trades during 1921 and 1922 are examples of guerrilla unionism in action.

No classification of unionism is absolutely accurate nor can it long remain even approximately so. Unionism is an indefinite, complex, and varying phenomenon. Within the same trade union there may be found trade-conscious and class-conscious individuals. A labor organization, like any other association of human beings, may have simultaneously ultraconservatives, liberals, and revolutionists among its members. A plethora of beliefs are reflected in the organization's program which may include elements of business unionism along with uplift, predatory, and revolutionary practices. Moreover, unionism is a rapidly changing institution. An organization which in one period may be conservative may at a later period be revolutionary and vice versa, as is illustrated by the histories of the Western Federation of Miners and the Railroad Brotherhoods. Once extremely radical, the Western Federation of Miners is now fairly conservative, while the traditionally conservative Railroad Brotherhoods have endorsed recently a program for nationalization of the railroads. In the process of social evolution the structure of unionism must be adjusted to its changing function. As the late Professor Hoxie pointed out, the functions of unionism determine largely its structure. After all, structure or type of organization is mainly a

[4] Hoxie, *op. cit.*, p. 51.

means to an end. The machinery of control and administration is an agency in the achievement of immediate and ultimate purposes. The structure of unionism is integrated as its functions expand. In response to changing industrial conditions and consequent enlarging of functions, the structure of unionism passes from isolated craft associations to nationalization of these locals and ultimately into a federation or an amalgamation of trade organizations. Combination and integration in the industrial structure result in a movement for industrial unions. Powerful forces operate unceasingly to determine the changing structural and functional aspects of labor organizations.

The Origin of Trade Unionism.—The origin of unionism is a controverted question. It is often contended that the beginning of labor organizations is to be found in the medieval gilds, but authoritative historians of the labor movement discredit the attempt to draw an analogy between the modern trade unions and the early gilds. Although they recognize that trade unionism in its historical aspects is not an isolated phenomenon divorced entirely from the evolution of associations, these historians are of the belief that the forms of association that obtained prior to the close of the seventeenth century were not very similar to the modern trade union and had little, if any, influence upon the rise and development of what is generally known as the labor movement. In support of this position it is pointed out that the medieval gilds were associations of business enterprisers who assembled raw materials, owned the instruments of production, controlled and directed industry, and sold the product; whereas the modern trade union is essentially an association of wage-earners, who have no title to the machinery of production and distribution but who sell their labor-power to the employer for a stipulated sum.[5] Between the fourteenth and the eighteenth centuries sporadic associations of journeymen exercised many of the functions

[5] For an authoritative discussion of the origin of unionism see Webb, *History of Trade Unionism*, 1920 ed., Chap. I.

of modern labor organizations, but they were so ephemeral in character that they can hardly be described as the counterpart of the latter organizations. So indefinite and uncertain was the existence of these experiments in association down to the close of the eighteenth century, that trade unionism is commonly described as a product of the nineteenth century. Most responsible for the definite and permanent organization of the workers were the conditions incident to the Industrial Revolution, beginning about the middle of the eighteenth century, which resulted in a distinct separation of the employer and employee functions and, consequently, in a definite cleavage between the capitalist-employer and the wage-earning classes.

Unionism emerged in the United States towards the close of the eighteenth and during the early years of the nineteenth centuries. Labor organizations were found here in the seventeenth century but these were primarily associations of workmen who, like the gildsmen of medieval England, exercised the functions of laborer, master, and merchant. Limitation of the number of legal craftsmen, regulation of the quality of the product, and the determination and maintenance of the customary price were the purposes of these organizations. The development of trade unionism in the United States falls roughly into several more or less definite periods between which there are no absolutely distinct lines of demarcation. These periods include: (1) The Emergence of Trade Unionism, 1792-1827; (2) Utopianism and Political Experiments, 1827-1850; (3) Reorganization and the Beginning of Nationalization, 1850-1857; (4) Revival of Trade Unionism, 1857-1866; (5) Attempted Amalgamation, 1866-1886; (6) The Predominance of Federation and the Rise of Industrial Unionism, 1886 to the present. Only a general summary of the outstanding developments in each of these periods is possible here.

The Emergence of Trade Unionism, 1792-1827.—Trade unionism in the modern sense did not exist in the colonial period of American history. The quickened pace of in-

dustrial development following the Declaration of Independence in 1776, and the adoption of the Constitution in 1789, resulted in economic changes pregnant with significance for the wage-earners of America. The domestic system of industry was giving way to the factory and contract system; masters and journeymen were becoming sharply differentiated; aggregations of journeymen workers arose in each craft; the commodity market was widening; new machine processes were breaking down rigid apprenticeship regulations; and lower wage scales and longer hours were sought by the master class. The friendly and benevolent societies of mechanics and journeymen formed in the colonial period could not meet these changing conditions. About 1785 skilled groups such as the printers, shoemakers, tailors, and carpenters organized societies to resist increasing control of the local market by the new enterpriser class. The shoemakers of Philadelphia were organized in 1792; about 1794 the printers of New York had their Typographical Society, and similar organizations were found among the printers in Baltimore and Philadelphia. The list of important craft unions included the Philadelphia Carpenters, 1791; the Philadelphia Society of Journeymen Cordwainers, 1794; the Baltimore Tailors, 1795; the Baltimore Typographical Society, 1803; and the New York Society of Journeymen Shipwrights, 1803. These early societies were local, ephemeral, and distinctly craft organizations. Industry was organized on the craft basis. No intertrade associations existed. Unions were craft-conscious and their interests were confined to the limits of the trade.

Although much emphasis was placed on mutual and friendly benefits, such as sickness and funeral aid, the roster of activities included resistance to competition with inferior and "illegal" workmen by the enforcement of apprenticeship rules; defense against prosecution for combination or conspiracy; collective bargaining; and the regulation of wages, hours, and conditions of employment. This has been well described as the "germinal" period of the American labor movement.

Utopianism and Political Experiments, 1827-1850.—It was not until after the first quarter of the nineteenth century that organization of labor became a significant factor in the industrial life of the United States. The period between 1827 and 1850 is characterized by a distinct movement for intertrade associations known as trades' unions, the establishment of communistic communities, and political action. The modern trades' union —the association of craft unions or labor societies— originated with the "Mechanics' Union of Trade Associations" in Philadelphia in 1827. City associations and national trade unions emerged to make the structure of unionism coextensive with the widening area of competitive conditions. Intercraft organization constituted a definite step forward in the solidarity of labor. Soon workingmen's parties were formed in the cities of Philadelphia, New York, Boston, Albany, and other industrial centers. Local labor parties were formed in no less than fifteen states. The grievances of the workers were attributed to the inflation of prices and cost of living preceding the panic of 1837, educational and political inequalities, inadequate wages, excessive hours of labor, undesirable conditions of employment, child labor, convict labor, imprisonment for debt, and the sweatshop system. Numerous legislative and economic reforms were incorporated into the program of these workingmen's parties.

With the organization of the National Trades' Union, which held its first annual convention in 1834, there appeared somewhat of a reaction against political activities, although political demands did not cease. National trade unions were organized among the cordwainers, carpenters, hand-loom weavers, printers, comb-makers and probably other craftsmen. Between 1827 and 1837 the prominent political and industrial demands of labor included the ten-hour day, restriction of child labor, abolition of imprisonment for debt, discontinuance of the use of convict labor in competition with free labor, free schools, mechanics' lien law, exemption of wages and tools from seizure for debt, cheaper legal procedure and redress,

direct election of public officials, and the abolition of sweatshops. Labor also opposed the granting of charters to banks and other monopolies, religious legislation, exemption of church property from taxation, and the lottery system, and demanded the reform of the militia system. Robert Dale Owen, the English manufacturer and reformer, was actively engaged in the movement for educational reform in the United States preceding 1834. In the decade of the thirties unionism made steady progress, aided by high prices and fiat money. By 1836 Philadelphia had fifty-three trade unions, Newark and Boston sixteen each, Baltimore twenty-three, and New York fifty-two. The membership of trade unions in the seaboard cities aggregated about 300,000. The growth of the trade union movement was arrested by the panic of 1837 which disrupted the financial system of the United States. Prosecuted for conspiracy and destitute of friends, labor organizations, with few exceptions, failed to survive the period of depression.

Although political action had been largely discredited as a result of the seemingly feeble attempts in the early part of this period, the pendulum swung again to political action in the decade of the forties. The failure of trade unionism drove men to seek help through other methods and for a decade humanitarianism, utopianism, socialism, and labor unionism predominated. Reformers and intellectuals had their innings. Albert Brisbane, Horace Greeley, Charles A. Dana, and John G. Whittier were among the leaders of the new movement for amelioration of the workers. Numerous labor councils and congresses were held and many associations of workingmen were formed. The New England Workingmen's Association, the National Reform Association, and the New England Protective Union came into existence between 1844 and 1845. The first Industrial Congress convened in New York City in 1845. Land reform, coöperation, abolition, the ten-hour day, free schools, and the establishment of communistic communities were advocated. The spirit of utopianism was rampant, resulting in the establishment of

Brook Farm and other experiments by utopian socialists who were disciples of Charles Fourier, the French idealist. Harmony of industrial interest was taught and the class struggle denounced. Misery of the masses and all poverty were to be abolished through communism. These later utopian schemes failed as did the earlier community established by Robert Owen at New Harmony, Indiana, in the first quarter of the century. The demands for free schools, restriction of woman and child labor, and free land were realized to some extent.

Reorganization and the Beginning of Nationalization, 1850-1857.—American workmen were not generally attracted to the utopian socialistic experiments, such schemes being interpreted as wild ventures in idealism. Immediate and practical reforms, including higher wages, shorter hours, improved factory conditions and protective legislation were more to the workers' liking. Even cooperation and profit-sharing plans appeared impractical. It was inevitable, therefore, that the workers should return to a revival of craft unionism and an attempt to federate the different craft units into national trade unions. Markets were becoming national and the area of competition was widening as a consequence. The discovery of gold in California in 1848 led to industrial revival and prosperity, and rising prices meant an unwelcomed increase in the cost of living. Immediate "bread and butter benefits" were sought and the structure of unionism was adjusted to the national competitive area. In 1850 the Typographical Union perfected a national organization; this example was followed by the Stone-Cutters in 1853, the Hat-Finishers in 1854, the Moulders' International Union in 1857, and the National Union of Machinists and Blacksmiths in 1857. Special efforts were made to bring into the organizations the alien workers whose competition was felt keenly. There was an increasing frequency in strikes, more than 400 separate strikes having taken place in 1853-1854, involving almost every craft. Following 1852 slavery agitation commanded increasing attention. The panic of 1857 paralyzed the industrial and

business life of the nation and in its wake came the usual serious consequences to the workers—unemployment, wage reductions, loss of union membership and financial reserves, and widespread disintegration of the labor movement. As in the panic of 1837, the craft unions that survived the impact of depression were incapable of assuming aggressive policies.

Revival of Trade Unionism, 1857-1866.—Neither industry nor trade unionism had recovered from the disastrous effects of the panic of 1857 when the North and the South entered the Civil War. The immediate effect of the conflict was to stimulate the demand for war supplies, iron, steel, and all kinds of manufactured goods. Prices advanced, prosperity returned, and industrial expansion was rapid. The man-power of the nation was shifted rapidly from productive industries into the ranks of Union and Confederate forces. The demand for labor was unprecedented, and there followed as a general consequence increased employment of women, children, immigrants, and convicts. Wages rose, but not so fast as prices, so that the workers were relatively no better off. Manufacturers resorted to machine methods as a substitute for manual labor. In the midst of these trying circumstances the labor movement was revived. Local unions were established and these were integrated into national organizations. No less than ten national unions came into existence between 1863 and 1866. Thirty city trade-assemblies sprang up before 1865, to promote boycotts and strikes. In 1864 the first National Industrial Assembly of North America dealt with primary boycotts, strikes, the truck system, coöperation, prison labor, competition, and women in industry.

By the end of the sixties, at least thirty-two national trade unions were in existence, the local unions of Canada becoming an integral part of the international organizations. Among the prominent organizations were the National Union of Cigarmakers, the Carpenters' and Joiners' International Union, the Bricklayers' and Masons' International Union, and the Brotherhood of the Footboard—

the forerunner of the Brotherhood of Locomotive Engineers. The aims of organized labor were practical, the emphasis being placed upon higher wages, shorter hours, and freedom of organization and collective action. Strikes were numerous and successful. In spite of all, money wages did not keep pace with prices. The increasing introduction of machinery and labor-saving devices had an unfavorable effect on the status of the workers at the close of the period. Employers were more united than ever. Machinery was destroying trade exclusiveness and this weakened the position of the skilled workers. To cope with the ever-widening markets integration in business organization was necessary, and this gave increasing strength to the employer in dealing with labor. The influx of alien labor and the use of negro workers, which made possible the successful breaking of strikes, tended to widen the breach between organized labor and organized capital. It was natural that race prejudice should increase under such conditions. Demobilization of the armies brought in its train the complex and serious problems which always constitute the aftermath of war.

Attempted Amalgamation, 1866-1886.—The high cost of living resulting from the inflation of currency incident to the war continued to menace the standard of life of the wage-earners in the period of reconstruction. Competition among the workers was increased greatly by the continued influx of immigrants and the return of demobilized soldiers to industrial life. The organization of the National Labor Union of Baltimore in 1866, and the emergence of the Noble Order of the Knights of Labor in 1869 are the outstanding developments in this period. At the end of the Civil War every important industrial city had its trades' assembly representing all the organized crafts. In these industrial centers there were also cooperative stores, free libraries and reading rooms, legislative lobbies, and a labor press. The thirty odd national unions of particular trades were powerful and several of them had their own trade journals.

The time seemed opportune for a revival of the move-

ment designed to consolidate all labor forces in the country, which had been attempted in the second quarter of the century. An "Industrial Assembly of North America" had been held at Louisville, Kentucky, in 1864, and in 1866 the National Labor Union was formed at Baltimore. For six years (1866-1872) the National Labor Union held annual congresses. In 1868 it is said to have had a membership of 640,000. The basis of this national organization was the city assemblies of trade unions. Although formed as a federation by trade unionists, all labor organizations were represented in it. At first the national union concerned itself with practical questions of wages, hours, strikes, and arbitration. Strikes were opposed, except as a last resort, and arbitration was favored. Trade unions were urged for the workers in given crafts, and labor unions for those having no trade. The program became comprehensive and to some extent idealistic, including the establishment of coöperative workshops and stores, tenement house reform, public lands for actual settlers, enforcement of the apprenticeship system, workingmen's lyceums and reading rooms, and aid to women workers. In the hope of securing capital and credit for its numerous coöperative workshops, the National Labor Union joined with the farmers' grange organizations in demanding large issues of paper money or greenbacks, such as were issued in the Civil War. The movement was opposed to the national banking system and the marketing of convict-made goods in competition with the products of free labor.

The union soon became involved in politics and the promotion of numerous political and social reforms. Decline set in about 1869 and in 1872 it ceased to function. The city centrals or trades' assemblies upon which it was founded were interested in local politics rather than national reforms. Organization of national craft unions might have proved more successful. At this time socialists were endeavoring to secure control of the American labor movement, but their attempts were not highly successful.

Once again the workers deserted theoretical panaceas and turned to more practical measures. The Industrial

Brotherhood was formed in 1873, founded on the platform of straight unionism with resort to politics only when industrial methods proved ineffectual. The program included monthly payments of wages, public markets, cheap transportation, legal regulation of apprenticeship, exclusion of the Chinese, restriction of monopolies, legalization of coöperative enterprises, reduction of the cost of living, legal protection of labor organizations against conspiracy attacks, and the establishment of a federal bureau of statistics. Organization by trade was contemplated and a vigorous campaign for membership was begun. This movement failed chiefly because workers were so strongly craft-conscious that they were not friendly towards unity and coöperation with men outside their own trades, especially with common laborers.

The continued high cost of living, introduction of machinery, disregard of apprenticeship regulations, substitution of cheap labor for skilled journeymen, increasing unemployment among skilled workers, and reduction of wages stirred particular trade organizations to rebellion. In 1867 the Knights of St. Crispin was organized by the shoemakers, and the first Grand Lodge was held in 1868. Six hundred chapters were chartered. At the height of its power this order had about 40,000 members, by far the largest labor organization in existence. In form it was a secret organization with an elaborate ritual. Although primarily a rebellion against the use of the machine, the program of this organization included the use of the strike for higher wages and other benefits. Coöperation, however, was considered the best substitute for the evils of the present wage system. The decline of this organization was as rapid as its rise, and soon after the panic of 1873 it disappeared. The Daughters of St. Crispin had been organized in 1869, as an auxiliary association among women shoemakers. The causes contributing to the decline of the Knights of St. Crispin included interference in politics, treachery of leaders, high-salaried officials, and the monopolistic practice of refusing to teach the trade to others.

Industrial consolidations and trusts were integrating business organization and operation to such an extent that craft-consciousness and exclusiveness of the workers in the various trades were jolted severely, and the movement to form a general labor union received a new impetus. For a period of fifteen or twenty years this movement was crystallized in the Noble Order of the Knights of Labor which was organized by Uriah S. Stevens, a Philadelphia tailor, in 1869. Originally a local union of only seven garment cutters and limited to tailors, this organization became increasingly inclusive, having at the time of its first general assembly in 1878 about 80,000 members, and increasing this number to 100,000 in 1885 and to more than 600,000 in 1886, when the order reached the zenith of its power and influence. Although it began as a secret order with an elaborate ritual, the order soon discarded these practices along with its trade exclusiveness and sought to amalgamate the workers into one centrally administered organization. The aims, structure, and government of the Knights of Labor deserve special consideration.

The unity of all workers, skilled and unskilled, was the fundamental idea of the order. Machine processes level the workers and make skilled and unskilled interdependent. It was reasoned, therefore, that the most perfect government is one in which "an injury to one is the concern of all." This official motto showed that it was essentially a class organization attempting to ameliorate the conditions of the workers *en masse*. Unity of interest necessitates unity of policy, control, and administration. These fundamental concepts explain the highly centralized government of the Knights of Labor. The General Assembly had full and final jurisdiction in all matters pertaining to the local and district assemblies. The executive officers of the national organization could suspend local officers and members, revoke charters, and, by unanimous consent, terminate strikes. Autonomy of subordinate organizations was thus practically eliminated. The General Assembly was a delegate body representing

the entire membership of subsidiary bodies. Subordinate bodies were the local, district, state, and national assemblies. Locals were sometimes composed of workers in one trade but often of those in several trades, being known under the latter condition as mixed assemblies. Some locals were composed entirely of women. Although the majority of members were to be wage-earners, skilled and unskilled, no person over sixteen years of age was excluded except lawyers, bankers, professional gamblers, stock brokers, and liquor dealers. Until 1881 physicians were also excluded. Nationality, sex, creed, and color did not constitute grounds for exclusion. Locals might be attached directly to the General Assembly, but usually they were an integral part of district, state, or national trade assemblies. District assemblies were composed of representatives of the locals in a given locality. State assemblies had jurisdiction over trade organizations within the state, except where jurisdiction was already delegated to mixed assemblies. Trade locals were often formed to make the national assemblies.

The official policy of the Knights of Labor was originally to discourage strikes and boycotts and to rely on political action, coöperation, and education, and through these to obtain the abolition of the wage system and to substitute therefor a coöperative commonwealth. Strikes were to be used only as a last resort. It was difficult for locals to secure funds for strike purposes. Later, however, strikes became frequent and costly and numerous internal dissensions arose. The program was comprehensive, including producers' coöperation, consumers' cooperation, arbitration of industrial disputes, the eight-hour day, a progressive tax on incomes, a graduated tax on inheritances, establishment of a bureau of labor statistics, occupancy as the only title to land, introduction of a postal savings bank system, government ownership of railways and telegraph lines, and the referendum. This proved too complex and remote for the practically-minded wage-earners of America, and the Knights of Labor was superseded by the American Federation of Labor which

adopted a more moderate and practical program and built its organization on greater autonomy of local unions. Since 1900 the Knights of Labor has been practically an extinct organization.

The failure of the Knights of Labor may be attributed to several causes. (1) The order became involved in numerous strikes, often sympathetic strikes, and costly coöperative ventures, the failure of which not only drained its financial resources but brought it into more or less disrepute. (2) The peculiar type of organization, comprising national trade assemblies and mixed labor assemblies, resulted in a conflict with the American Federation of Labor. The structure disregarded the important truth that all wage-earners do not have identical interests, but rather very definite group interests. (3) The polyglot composition of membership made success highly improbable if not impossible. This membership included wage-earners, employers, professional men, and farmers, whose economic and political interests were neither identical nor harmonious. (4) Political activity and entanglements spelled disaster for the Knights, as they had for earlier labor organizations. Endorsement of free silver in 1896, condemnation of currency expansion in 1898, and opposition to William McKinley as the "bitter enemy of labor" in 1899, proved sources of internal dissension and outside opposition. (5) Overcentralization of power in the hands of the general officers created jealousy and suspicion in the minds of the leaders and the rank and file in the constituent locals and assemblies. (6) Idealism was a contributory cause of the decline of the Knights of Labor, as it had been of many of its predecessors. The abolition of the wage system and the establishment of a coöperative commonwealth seemed remote and rambling vagaries to the practically-minded trade unionists. The wage-earners were interested primarily in immediate improvement of standards of wages, hours, and conditions. It was upon this more practical platform that the successor of the Knights of Labor—the American Federation of Labor—began to build its promise for the wage-earners.

The Predominance of Federation and the Rise of Industrial Unionism, 1886 to the Present.—The reorganization and predominance of the American Federation of Labor and the emergence of industrial unionism, which has been given a revolutionary character by the Industrial Workers of the World, are the outstanding features of this period. Following the panic of 1873 American entrepreneurs sought further relief from the precarious consequences of unrestricted competition. Industrial combinations and railway pools resulted in an unprecedented integration of industries. An era of trusts began. Competition was no longer viewed as the life but the death of trade by promoters of industrial consolidation. The movement was accelerated by the panic of 1893. Both panics affected adversely the trade union movement, and the consolidation of industrial concerns was forcing a change in the structure of American unionism.

In 1881 there was organized at Pittsburgh the Federation of Organized Trades and Labor Unions of the United States and Canada. At that time there were ninety-five organizations, having a combined membership of 262,000, affiliated with this federation. Between 1881 and 1886 the permanency of this organization seemed very uncertain. In 1886 the national trade unions, fearing domination by the Knights of Labor, assumed control of the federation and reorganized it under its present name of the American Federation of Labor. The immediate task which the new federation took up was the promotion of vigorous independent trade unionism based upon craft autonomy as opposed to the idealistic, centrally controlled unionism of the Knights of Labor. With the exception of a few setbacks resulting from economic depressions, the growth of the federation since its reorganization has been fairly steady. In 1897 the paid-up membership was 264,825. From that time on to 1904 the membership increased very rapidly, reaching a total of 1,676,200 in the latter year. Following 1904 there was a decline, the membership fluctuating between 1,484,872 and 1,586,585 until 1911, when the number increased to 1,761,835. The increase continued

until in 1914 the membership reached a total of 2,020,671. A temporary decline resulting from the depression was followed during the succeeding five years by remarkable growth, accounted for chiefly by the prosperity incident to the war which created an extraordinary demand for labor and resulted in inflation of prices. In 1919 the membership was 3,260,069 and in 1920, 4,978,740. The business depression and unemployment reduced the membership to 3,906,528 in 1921.

In interpreting the federation's statistics of membership it must be remembered that national and international unions are required to pay only the per capita tax upon their full paid-up membership, so that members involved in strikes and lockouts or unemployed during the fiscal year are not included in membership figures. In 1921, for example, the membership of eight international unions that were suspended for noncompliance with the decisions of the convention was 115,425; this would bring the total membership to 4,021,953. The total membership of American labor organizations in 1922 probably exceeds 6,000,000, two-thirds of which is found in organizations affiliated with the American Federation of Labor. The prominent organizations outside the A. F. of L. in 1922 include the Amalgamated Clothing Workers of America (1914), the Amalgamated Textile Workers, the Industrial Workers of the World (1905), and several of the railroad brotherhoods—Locomotive Engineers (1863), Railway Conductors (1868), Locomotive Firemen and Engineers (1873), and the Brotherhood of Railway Trainmen (1883). Efforts have been made recently to affiliate the railroad brotherhoods with the federation but this has not yet been accomplished.

In its structure the American Federation of Labor is essentially a federation of unions. "It is a federation of organizations, each of which has its own government, determined by its own needs and requirements, the result of the experiences of the members of the organization. This right to self-government was recognized in the beginning and has been reaffirmed and adhered to as con-

sistently as possible. The federation has no powers except those which are authorized and conceded by the organizations which compose it. These powers are enumerated in its written constitution and the definite direction of conventions."[6] In 1921 the federation comprised 36,247 local unions, 110 national and international unions, 973 city central unions, 941 local trade and federal labor unions, 5 departments, 783 local department councils, and 49 state federations, including the District of Columbia.

Craft autonomy with loose federation for the administration of intercraft union affairs is the basis of the A. F. of L. structure. Organizations desiring affiliation must consist of wage-earners, although the interpretation of the term wage-earners is broad enough to include certain salaried groups such as the American Federation of Teachers. The organic unit of the federation is the *local union.* The locals in a given trade are members of the national or international union of that trade where such exists. In the absence of a national or international union a local may be organized by and affiliated directly with the American Federation of Labor itself, in which case it is called a *federal trade local.* These locals are the nursery for national unions. A local union may cut across craft lines and assume a mixed industrial character when the number of workers of one craft is insufficient to form a distinct trade local, in which case the local is known as a *federal labor union.* The *national* or *international* union is a trade or industrial organization which brings under one jurisdiction the local unions in one craft or industry in the United States and Canada and sometimes Mexico. The national or international unions are usually the most powerful and authoritative units, creating their own locals; sanctioning affiliation of locals formed independently by the A. F. of L.; maintaining organizers; controlling charters, suspension and discipline of locals; and rendering financial assistance to constituent organizations. These units are in fact the independent associations of which the

[6] Samuel Gompers, *The American Labor Movement,* p. 7.

A. F. of L. is merely a loose federation or alliance. They may be trade nationals or internationals, such as the International Typographical Union; or industrial, such as the United Mine Workers of America and the International Union of Mill, Mine, and Smelter Workers.

Isolated craft unions are relatively weak in bargaining with a group of employers and are frequently disrupted by jurisdictional disputes. To remove these difficulties *city central labor unions* or *local federations* of labor are formed. Mutual protection, and promotion of the cause of organized labor politically and economically in the locality are the chief functions of these bodies. The *local or district department councils* are formed within various trades, such as the building, printing, and metal trades, as delegate bodies to determine local jurisdiction, discipline locals for infraction of local rules, and make and enforce joint agreements. The *departments* chartered by the A. F. of L. are federations of allied nationals and internationals created to act as clearing houses for difficulties arising between the various organizations. Adjustment of disputes, settlements of jurisdictional disagreements, and the establishment of federated trade locals are among the functions of the departments. At the present time there are five departments in the federation—metal trades, building trades, railway employees, mining, and union label trades. The *state federations* are organizations of the A. F. of L. union bodies in a given state composed of delegates from locals, city centrals, and various councils. The state federation seeks to secure legislation favorable to labor, to promote the purchase of union label goods and to make effective boycotts and other measures designed to benefit organized labor.

Crowning the structure is the A. F. of L. itself, functioning through the annual convention, a delegate body which elects annually the *Executive Council* consisting of a president, eight vice-presidents, a treasurer, and a secretary. Numerous special committees are also appointed by the convention. The executive and legislative work of the federation is carried on by the Executive Council. At

the annual convention each national and international union is allowed one delegate for each 4,000 paid-up members or any fraction thereof. One delegate each is allowed also for state federations, city centrals, federal labor unions, and local unions having no national or international union. Numerous fraternal bodies are also represented, most of which are allowed one delegate. The bulk of the voting power rests with the national and international unions which are, consequently, able to determine and control the policies of the federation. The number of unions represented at the 1921 convention was 304. Of these 93 were national and international unions, which had 309 out of the 521 delegates and 38,080 out of the 38,293 votes.

The general object of the A. F. of L. is to better the conditions of the wage-earners in all fields of human activity. "Economic betterment in all directions comes first." It seeks to unite the workers in a loose federation of their independent crafts or associations, leaving each trade or labor unit free to govern itself within its own borders. According to the constitution it seeks to federate all national and international trade unions for mutual assistance; to promote the use of the union label; to secure legislation in the interests of the working people; to influence public opinion by peaceful and legal methods in favor of organized labor; and to aid and encourage the labor press.[7]

Revolutionary industrial unionism in America, at least in its organized form, had its inception with the organization of the Industrial Workers of the World at Chicago, in 1905. Even in its origin the I. W. W. represented a merger of radical groups such as the Socialist Labor Party, the American Labor Union, and the Western Federation of Miners, which were opposed to craft unionism and sought to promote organization of the workers by industries with the hope that these might be integrated eventually into one big union. Destruction of the present economic and political order is the ultimate goal. Revolutionary industrial unionism is a protest against the con-

[7] Constitution of the A. F. of L., Article II, sections 4, 5.

servative policies and purposes of the American Federation of Labor. Originally, the Industrial Workers of the World sought to combine industrial mass action with political action through coöperation with the Socialist Party. In 1908, however, a split occurred in the organization which resulted in the formation of two branches known as the Chicago I. W. W. and the Detroit I. W. W. The organization had been weakened in 1907 by the withdrawal of the Western Federation of Miners which later affiliated with the American Federation of Labor. In 1915 the Detroit branch of the I. W. W. became known as the Workers' International Industrial Union. Briefly, the essential difference between the two branches is that the Detroit group seeks the establishment of a socialistic commonwealth by means of political action as well as industrial action, while the Chicago group finds its ultimate ideal in a free industrial association, condemns political action and collective bargaining, and advocates direct industrial action and sabotage, not always free from violence. The following discussion of the I. W. W. refers to the Chicago branch, or syndicalistic group.

The I. W. W. in America is syndicalistic. Syndicalism proposes the abolition of the political state and the reconstruction of society by direct industrial action, and advocates the general strike of all workers simultaneously to overthrow the present capitalistic order and substitute therefor ownership and control of industry by the workers. The doctrine of the class struggle is taught and direct action is interpreted to include the general strike, boycott, union label, and sabotage. Sabotage may be peaceful, consisting of soldiering on the job and other "ca' canny" tactics; or it may be violent, including such practices as misdirection of baggage and perishable goods, and disabling of machines. Private property rights and privileges are denounced. The political state is viewed as an agency of suppression and coercion and an industrial commonwealth of free associations of workers is desired. French Syndicalism, Russian Bolshevism, American Communism, English Revolutionary Industrial Unionism, and

American I. W. W.-ism have similar ideals and purposes. Syndicalistic opposition to the political state has led to its condemnation as a philosophy of "quasi-anarchism."

Although the Industrial Workers of the World is a much feared organization and can easily make the headlines of metropolitan and less important journals, it is, as a matter of fact, much less powerful than is generally supposed. Its actual membership cannot be determined accurately. The paid-up membership just before the World War was 14,310 and a total of 100,000 membership cards were held at that time. On January 1, 1917, the paid-up membership was put at 60,000 and a total of 300,000 cards was said to have been issued since 1905.[8] In reality the I. W. W. is not an effective organization, although its philosophy is essentially dangerous. Its membership comprises a restless, unstabilized body of workers who have rebelled against the present economic and political order and who in their antisocial attitude and practices have discarded all suggestions for opportunistic reforms. Many of them are "floaters" or "migrants" unable and unwilling to support financially the organization through which they seek to revolutionize society. Internal dissensions, financial weakness, jealousy, public suppression and persecution, lack of faith in strong leadership, ultraindividualism, a lack of practicality, and excessive idealism are among the many reasons why the Industrial Workers of the World has not gained and probably will not assume leadership in the American labor movement. American labor is still predominantly craft-conscious and not class-conscious, and is more sympathetic towards practical and immediate gains than towards proposals for an industrial utopia.

Summary of Historical Lessons.—The brief historical sketch of the labor movement which has been attempted in the preceding pages suggests several important lessons.

1. *Unionism is a Product of Causation.*—It is a well-established truth that labor organizations are the result of definite, ascertainable causes which operate in the

[8] Paul Brissenden, *History of the I. W. W.*, 2nd ed., p. 341.

economic and political life of the nation. Associations of workers formed for the primary purpose of collective action have emerged in response to the separation of employer and employee functions, the consequent rise of industrial classes, the wage system, the development of the factory system, increasing integration of industry, the blind selfishness of unscrupulous employers who have exploited the defenseless individual worker, legal and political discrimination against the workers in favor of propertied classes, widening of the competitive area, and the introduction of machinery. Unionism, then, is not the artificial creation of vicious minds but the natural and inevitable product of evolutionary forces.

2. *Union Types Are Attempted Adaptations to Industrial Environment.*—In its structural aspects unionism is an attempt to correlate the workers' organized power with the changing structure of industry. Without disregarding the powerful influence which the subjective forces of leadership have exercised over the organization and ideals of unionism, it may be said that the structure of unionism has represented a continuous adaptation to changing methods of production and distribution. Thus distinct structural forms have been evolved. Between 1800 and 1815 the local union was the only form of trade union grouping. Intercraft relations did not exist either within the same city or between different localities. Trades' unionism arose between 1827 and 1838 in the form of city federations which assumed control of the labor movement. Between 1865 and 1888 the national federations were formed in order to introduce more unity into the labor movement. Since 1897 the national trade unions have been the dominant form of labor organization.[9] In all these attempts labor has endeavored to coördinate its power with increasing concentration of power in the hands of organized capital.

3. *Opportunistic and Practical Rather Than Utopian and*

[9] Geo. E. Barnett, "The Dominance of the National Union in American Labor Organization," *Quarterly Journal of Economics*, Vol. 27, 1913, pp. 455-481.

Idealistic Schemes Have Appealed to American Wage-Earners.—The American wage-earner has been interested primarily in immediate advances in wages, reductions in hours of work, and improvements in conditions of employment. His philosophy has been fundamentally a bread-and-butter philosophy. Owenism, Fourierism, and other idealistic schemes have appealed to him only slightly.

4. *Industrial Rather Than Political Action Has Been Favored.*—Direct political action has often destroyed American trade unions. Industrial action comprising the strike, boycott, and other methods used in conjunction with effective legislative lobbies has proved more beneficial than direct political participation.

5. *Unionism Can be Successful Only as it Recognizes Differentiated Trade and Industrial Interests Among the Workers.*—The failure of such organizations as the Knights of Labor suggests that: (1) The interests and points of view of all wage-earners are not harmonious nor identical; (2) centralization of authority and control is likely to prove less successful than decentralized administration within each trade group; and (3) the interests and motives of employers and of employees are sufficiently differentiated and antagonistic to preclude a homogeneous association of wage-earners, employers, and professional groups.

6. *Craft Unionism May be Replaced to a Large Extent by Industrial Unionism.*—The inability of differentiated craft organizations to deal successfully with the modern giant corporation and trust is tending to stimulate the growth of industrial unions. The destruction of trade unions by organized capital tends to accelerate this movement.

The International Growth of Unionism.—Trade unionism has become a world movement of extraordinary numerical strength and is assuming great industrial and political power. Trade unions in the United States at the present time claim about 6,000,000 members, a numerical strength 200 per cent greater than in 1903. Basing their estimates on the typical American family of five,

trade union leaders state that this membership represents about thirty millions of the total population. In 1920 the trade union membership of Great Britain was put by the International Labor Office at 8,024,000, which represents an increase of 331 per cent over 1889, when the total was only 1,860,913. Between 60 and 70 per cent of the adult male wage-earners were organized in 1920 as compared with only 20 per cent in 1889. In the period 1914-1920, the membership of British trade unions increased more than 100 per cent. The membership of the German trade unions increased from 4,513,000 in 1913, to 11,900,000 in 1919, and 13,000,000 in 1920, or more than 210 per cent for the period 1914-1920. In the period 1910-1920, trade union membership in France increased from 977,000 to 2,500,000 or about 156 per cent. In the last decade the growth of unionism has been extraordinary in practically every country. Japan and China have begun to develop promising movements. Agricultural laborers also are organizing; over two millions of them were represented at the International Congress of Farm Workers which met in Amsterdam in 1920. Statistics on the growth of unionism issued by the International Labor Office of the League of Nations are as follows:[10]

Year	Membership
1910	10,835,000
1911	12,249,000
1912	13,341,000
1913	16,152,000
1919	42,040,000
1920	48,029,000

Notwithstanding this remarkable development the trade union movement has only begun to touch the fringe of the great mass of workers, especially the unskilled. In the United States, for example, there are about 30,000,000 persons in the status of employees, not less than 16,000,000 of whom could probably be organized, yet not more than 40 per cent are organized, and these are mainly skilled workers.

[10] Figures for the years 1910-1912, inclusive, are for 20 countries; those for 1913, 1919, and 1920 are for 30 countries

Women and Trade Unionism.—Women have been slow to organize for their industrial protection. This tardy development of unionism among women workers may be accounted for by many factors, chief among which are: (1) the industrial instability of women, their interest in permanent organization being dwarfed by the prospect of marriage; (2) the rapid spread of protective laws designed to safeguard the conditions under which women work; and (3) discrimination against women on the part of organized male workers. Men fear the competition of female labor and, with few exceptions, organizations of male workers have excluded women. In recent years there has been a quickening of women's industrial consciousness and they are seeking relief in unionism. In Great Britain, trade union membership among employed females increased from 472,000 in 1914 to 1,224,000 in 1918, or 159 per cent, but as yet less than 30 per cent of the adult women workers are organized. As an inducement to membership the British National Federation of Women Workers gives a marriage dowry of 50 per cent of a member's contributions when she leaves the trade or terminates membership, provided two years' membership has been maintained and no out-of-work or sick benefits have been received during the period of membership. Many of the unions affiliated with the American Federation of Labor admit women workers, but women have not yet assumed a prominent position in the federation or its constituent unions. Since 1903 trade unionism among women in the United States has been promoted by the National Women's Trade Union League, which coöperates with the American Federation of Labor. In April, 1922, the league had a membership of approximately 600,000, representing 108 occupations. An International Congress of Working Women was held in Washington, District of Columbia, in 1919, and a second Congress in Geneva, Switzerland in 1921. Out of these congresses there has come the International Federation of Working Women, which has adopted the threefold purpose of (1) promoting trade unionism among women; (2) developing

an international policy with regard to the needs of women and children and the legislative proposals made by the International Labor Conference of the League of Nations; and (3) encouraging the appointment of women workers to organizations affecting their welfare and progress. Conservative trade unionism is endorsed; religious unions and those affiliated with the Communist Internationale are excluded.

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CHAPTER XVI

LABOR ORGANIZATIONS—GOVERNMENT, AIMS, AND PRACTICES

Government.—In the development of union structure and government two prominent tendencies appear; namely, (1) increasing interrelationship and integration, and (2) increasing centralization of control within the craft union. The original unit of government was the local union which enjoyed complete autonomy. Until 1827 there was very little communication between the different trade locals in a given community and the various locals of the same trade in the different localities. Recognition of interdependence, however, gradually led to the formation of alliances. Thus in 1827 the city federation of trade unions emerged, in 1850 the national trade union, and since that time comprehensive amalgamations and federations. A logical sequence of these developments was the increasingly complex government of unionism.

Since the closing decade of the nineteenth century, the dominant factor in the government of the American trade union has been the national organization. It should not be understood that the local is no longer an important unit in trade union government. In fact, the local must ever be the organic cell of the labor movement. Each local has its own government which functions constructively in collective arrangements with employers, promotes unionization, and often enters into local politics. It has the usual corps of officials, and in addition various committees performing specific functions. Delegates are elected to the city central or federation. Perhaps the most important officer is the business agent, or walking

delegate, who negotiates with employers concerning wages, adjustment of grievances, and the enforcement of union regulations. This office calls for skillful bargaining, intelligence, and diplomacy. Business agents have often been accused of accepting bribes to prevent or call off strikes, and of acting in collusion with certain employers to injure competitors by ordering strikes in the latter's establishments. Officers in the local union usually serve one year, and it is a common practice to pass the honors around. The government of the local is extremely democratic.

The prestige of the national union is well established in American trade unionism, and its authority has become so extensive that it limits or supersedes the power of trade locals, city centrals, and local and national allied trade councils. The officers of the national unions really constitute the general staff of the American labor movement. National unions exercise such broad powers as the establishment of locals; the determination of membership conditions and privileges, economic policies, regulations governing negotiation of agreements and the execution of strike orders; the control and administration of general strike and insurance funds; the publication of the trade journal; and the dissemination of propaganda. Such important functions call for strong leadership and effective control. The annual convention is the real source of authority. This is a congress of delegates from constituent local trade unions and constitutes the legislative body for the organization. It is here that general policies are outlined. Local or district unions that are dissatisfied with the decisions and actions of national officers bring their grievances to the floor of the convention, and the administration and antiadministration factions fight for control. The convention elects the president and the executive committee, appoints special committees, and makes recommendations. Executive and judicial functions are delegated to the president and the executive committee in whose hands the welfare and progress of the organization rest until the next regular convention.

National unions in the United States have shown a tendency to retain experienced leadership for an extended term of service. Constituent locals guard jealously their position by providing that a referendum vote shall be taken on all questions of exceptional importance.

The Aims and Ideals of Organized Labor.—The aims and ideals of the American labor movement may be divided roughly into two groups; namely, (1) those which seek a complete reorganization of political and industrial society, assuming that capitalism is not the final stage in industrial evolution; and (2) those which accept the present political and industrial order and seek to improve the status of the wage-earning classes by promoting an opportunistic or practical program of reform. The unions affiliated with the American Federation of Labor represent in a general way the second group, while such organizations as the Amalgamated Clothing Workers and the Industrial Workers of the World represent the first group, although the Clothing Workers enter into collective agreements. The aims of conservative unions are discussed here.

1. *Economic Reforms.*—Economic reforms sponsored by unionism include the abolition of all involuntary servitude, except as a punishment for crime; a working-day of not more than eight hours, with a forty-four or a forty-eight hour week; release from employment for one day in seven; abolition of the sweatshop system; discontinuance of the contract system on public work; maintenance of an equitable scale of wages; conciliation and voluntary arbitration in the settlement of disputes; negotiation of trade agreements; safe and sanitary conditions of employment; protection of apprenticeship standards; and opposition to company houses, company stores, and payment in kind.

2. *Political Reforms.*—Among the political demands of organized labor are the municipal ownership of public utilities; woman suffrage coequal with man suffrage; the initiative, referendum, and recall; the election of the president and vice-president of the United States by direct

vote of the people without the intervention of an electoral college; restriction of the powers of judges to nullify laws and to set them aside as unconstitutional; the provision of an easier method of amending the Constitution of the United States; democratization of all political institutions; and the abolition of the state constabulary.

3. *Legal Reforms.*—The principal judicial and legislative improvements sought by organized labor include the free administration of justice and equality of rich and poor before the courts; restriction of the power of the courts to issue injunctions in labor disputes; liability of employers for injuries and loss of life in industry; legal prohibition of child labor and strict enforcement of all child labor laws; and legal protection of women in industry.

In addition to the foregoing economic, political, and legal measures, there are certain more or less general social reforms which trade unions have endorsed, such as free schools, free text-books, and compulsory education; sanitary inspection of factories, workshops, mines, and homes; adequate playground facilities; a public-bath system in all cities and the installation of bathroom attachments in all houses or apartments used for habitation; extension of public savings banks; a public system of noncontributory old-age pensions; elimination of speculation in commodities, stocks, and bonds; and general civic improvement.

The Practices of Unionism.—1. *Benefit Schemes.*—Trade union benefit schemes include: (1) friendly benefits, comprising insurance against sickness, disability through accident, old age, and death; and (2) "out-of-work" benefits, consisting of unemployment donations and strike benfits. Friendly benefit schemes are usually associated with the trade unions of Great Britain, where such features have been in operation since about 1700. Many of the British unions spend two or three times as much on friendly benefits as upon strikes and boycotts, but some of the most highly developed unions, such as the coal miners and the cotton operatives who constitute one-

fifth of the trade union membership, provide very little in the way of friendly benefits and unemployment relief.[1]

Prominent trade unions in the United States having comprehensive benefit features are the International Typographical Union, the Cigarmakers' International Union, the Order of Railway Conductors, and the Brotherhood of Locomotive Engineers. The International Typographical Union, under the provisions of the executive defense fund established in 1891, normally pays a strike benefit of $5 per week to single, and $7 per week to married members engaged in a strike ordered according to the rules of the union. Beginning with May 1, 1921, this organization waged an extended fight for the forty-four hour week, and for almost a year approximately 8,000 journeymen and apprentices were on the strike roll. Up to January, 1922, the financial receipts incident to the strike exceeded $6,327,000, and the disbursements $5,483,000. Members of the union who were at work paid at first an assessment of 10 per cent and later of 7 per cent of their earnings to support those on strike. The benefits paid to strikers were at the rate of $12 a week for single men and $17 for married men, and in addition each local union was allowed special assistance of $5 a week for each man on the strike roll. Many locals increased the national organization's benefits $5 to $10 a week, according to their financial status. The benefits were larger than originally planned.

In 1882 the International Typographical Union adopted a burial benefit plan which has been modified frequently and now provides a mortuary benefit of $75 for a continuous membership of one year or less, and increased according to length of membership up to $500 for a continuous membership of fifteen years or over. During the first seven years of its existence this fund provided over $2,000,000 in benefits. In 1907 a pension plan was adopted, and at the present time a pension of $6 a week is paid to (1) members not less than sixty years of age, who have been in good standing for a period of twenty

[1] Sidney and Beatrice Webb, *Industrial Democracy,* 1920 ed., p. 171.

years, and who find it impossible to secure sustaining employment; and (2) members who are totally incapacitated for work, whose membership has been active for twenty years, and whose application for admission to the Printers' Home has been disapproved. Between 1908 and 1919, approximately $3,000,000 was paid to pensioners. In addition to these features the union, in 1892, erected the Home for Union Printers at Colorado Springs, Colorado, at a cost of $70,000, and extensions since that time have increased the value of the investment to approximately $2,000,000.

The Cigarmakers' International Union pays strike, sickness, death, and unemployment benefits and provides traveling expenses for members while in search of work. The Order of Railway Conductors established their mutual insurance system in 1882, providing for death and permanent disability allowances and the use of the Home for Aged and Disabled Railroad Employees. The home is supported jointly by the four railroad brotherhoods. The organization of the Brotherhood of Locomotive Engineers includes the Locomotive Engineers' Mutual Life and Accident Insurance Association, which is a separate body of elected delegates. The engineers, moreover, are operating a successful national bank in Cleveland, Ohio. In the fiscal year 1920-1921 over $5,214,000 was paid by national unions affiliated with the American Federation of Labor for death, sickness, and unemployment benefits, and traveling expenses while in search of employment. Statistics of benefits paid by locals are not available, but they would doubtless increase the total immensely.

In most American unions friendly benefit funds have not been kept separate from the general administrative and defense funds, which exposes the former to exhaustion on account of prolonged strikes, but furnishes a powerful financial reserve for defensive and aggressive purposes. Trade union benefits have generally resulted in: (1) increasing and stabilizing membership, (2) promoting conservative policies, (3) centralizing of union control in the hands of national organizations, and (4)

making the workers independent of mutual benefit schemes provided by employers. When, as in Great Britain and Germany, social insurance covering sickness, unemployment, and old age is introduced, the benefit features of American trade unions will probably be even less important than they are to-day.

2. *Restriction of Membership.*—The extent to which trade unions restrict their membership is difficult to determine. There are certain conditions of entrance, including the payment of initiation fees, agreement to pay regular dues and assessments, adherence to the provisions of the constitution and by-laws, and a willingness to remain loyal to the organization. Skilled trades require a certain degree of trade proficiency and some organizations, such as the musicians' union, prescribe an entrance examination. Most frequently, however, the completion of an apprenticeship term of two or three years is the basic test of admission to the union. The monopolistic character of unionism develops from its attempt to control the supply, and consequently the price, of labor in given trades and occupations. Unions are exclusive monopolies when they keep out prospective members by exorbitant initiation fees and other barriers. Sometimes, as among certain local unions of electricians, an initiation fee of $150 is charged, but excessive entrance fees are the exception rather than the rule. A common practice is to refuse admission to new members when old ones are out of employment. Most labor organizations may be characterized as "open unions," that is, having no unreasonable limitations on membership. Sex, race, color, and nationality have been reasons for exclusion, but a broader policy is now being introduced. If labor organizations are to be described as monopolies, they are really very inclusive ones, since organizers are employed, literature disseminated, public meetings held, and even coercive methods applied to bring nonunion workers within the organization.

3. *Limitation of Apprentices.*—The apprenticeship system is a product of the handicraft stage, when the master,

journeyman, and apprentice constituted the industrial unit, and skill was not supplemented by machines. The law usually required a seven-year apprenticeship, designed to safeguard entrance to the trade, thereby improving the product and protecting skilled artizans from "illegal men." Machine methods introduced by the Industrial Revolution destroyed much of the monopoly of craftsmanship. The apprenticeship system was soon taken over by trade unions, as a means of limiting the supply of skilled labor and maintaining a desirable wage scale. Except for certain trades and professions where, in the interest of public welfare, the law requires training and proficiency, apprenticeship regulations are now generally prescribed by the union. The restriction of apprentices is general and in some cases appears to be extreme and unfair, resulting in something approaching an exclusive monopoly. The ratio of apprentices to one journeyman is often one to ten, but more commonly, one to five, and the term of apprenticeship is two or three years.

Trade union regulation of apprenticeship is not always successful, and many of the stronger organizations demand only a definite standard of trade proficiency as the condition of membership. The apprenticeship system is apparently no longer indispensable to the life of trade unionism. As the Webbs have observed: "So far from apprenticeship regulations forming a necessary part of trade unionism, a positive majority of the trade unionists now belong to occupations in which no shadow of apprenticeship has ever existed. . . . Undemocratic in its scope, unscientific in its financial aspects, the apprenticeship system, in spite of all the practical arguments in its favor, is not likely to be deliberately revived by modern democracy."[2] There is grave danger, however, that minute specialization will result in a dearth of highly skilled workmen.

4. *Restriction of Output.*—Unions are accused of limiting output in a number of ways. In the building trades, for instance, some painters' unions do not allow the use

[2] *Industrial Democracy,* 1920 ed., pp. 476, 481.

of a brush wider than four and one-half inches for oil paint, although for certain classes of work a wider brush is more economical. Plumbers' unions and steamfitters' unions often prohibit the use of bicycles, motorcycles, automobiles, and vehicles of all sorts during working hours. In some sections of the country these unions demand that all pipe up to two inches shall be cut and threaded on the job. Bricklayers' unions sometimes require that bricks shall not be laid with more than one hand, and that no other instrument but the trowel shall be used in laying them. Rules are often enforced concerning the division of labor. Carpenters' helpers and machinists helpers are prohibited from using tools of the trade. Brick masons insist on washing down and pointing brickwork when laborers could do it more economically. Finally, each craft insists that tasks rightfully belonging to it shall not be performed by members of other crafts. Members guilty of speeding or excessive work are sometimes subjected to a fine of $5 for the first offense, and expelled if found guilty of a second offense. For these practices unionism is condemned as putting a premium on laziness, inefficiency, and dishonesty, and reducing all workers to a dead level of mediocrity.

Unionists justify limitation of output on three grounds: (1) experience, (2) "lump-of-work," and (3) humanitarianism. The experience argument states that whenever there has been increased efficiency and output by a few workers in a trade, the employer has invariably proceeded to reduce the general level of wages. Under the piece-rate system an increase in the number of pieces per worker per day has been followed by a reduction in the rate per piece; consequently, organized labor favors the time wage and standardization of speed. The lump-of-work argument is that a given amount of work is required and that this quantity of labor will be performed regardless of the expense involved. It follows, therefore, that the workers can consciously increase the time requirement by withholding maximum effort, thereby providing an extended period of employment. The humani-

tarian, or "health-of-the-worker," argument is that excessive speed and pace-making are deleterious to the health of the worker. The employer thinks in terms of output per unit of time, and is little concerned that speeding will throw the workers upon the scrap heap to be supported by charity. The worker thinks in terms of life output; the longer he lives the greater will be the total product of his labor. To a very large degree seasonal and recurrent periods of unemployment are responsible factors in limitation of output by the workers. Moreover, production is restricted by corporations and other producers. In the building trades, for example, contractors, builders, and supply dealers have restricted production by maintaining high prices, collusion in bidding, unfair practices, and agreements with labor. Modern monopolies limit or destroy supplies of commodities to maintain prices and swell profits. Every year wholesale destruction of fruits and vegetables is resorted to for the purpose of creating a scarcity price.

5. *Hostility to Machinery.*—Trade unions are often charged with restricting the use of machinery and prohibiting the use of the best and most efficient machines. Labor-saving devices have frequently been looked upon by the workers as monstrous intrusions upon their skill, and a cause of unemployment and low wages. Wholesale destruction of new machines was a common practice in the early years of machine industry. In more recent times cigarmakers' unions have refused admission of machine workers; coopers have opposed the manufacture of casks and barrels by machines; plate printers for years insisted on keeping hand presses in the United States Bureau of Engraving and Printing; and numerous other crafts have been guilty of similar restrictions. The workers have gradually learned that the introduction of machinery may increase, rather than diminish, the demand for labor; consequently a policy of regulation is being substituted for restriction. The new policy is to demand that only union men shall operate the machines, and that the machine

scale of wages shall be as high, if not higher, than that paid for hand work. This policy has been carried out with remarkable success by the International Typographical Union in the case of the linotype machine.

6. *The Check-off System.*—In order to make the union shop effective, labor organizations must have some way of ascertaining the loyalty of members. This is done in one of two ways. (1) At frequent intervals union officials may call for an inspection of cards. Workers who do not hold union cards and members who are not paid up are expelled from the shop, pending satisfactory arrangements with the organization. Although this is the general method of enforcing union rules, it is difficult to administer in establishments where union officials have to bring pressure to bear upon the employer or minor executives to discharge those who have not complied with the requirements. (2) The check-off system may be introduced. Under this plan, which is found in the bituminous coal mining industry and window glass manufactories in the United States, union dues, special assessments, fees, and fines are deducted by the employer from the pay check of union members. This saves the union time and expense and makes possible an accurate checking up of membership. Its disadvantage is that it involves dependence upon the employer. The secretary of each local union presents to the paymaster of the company a list of the dues and assessments to be deducted from the earnings of each member. After the money is checked off it is turned over to the secretary of the local union.

The check-off system gained considerable prominence as a result of an injunction issued against it by federal Judge A. B. Anderson, of the district court at Indianapolis, on October 31, 1921. The check-off was evidently not held illegal, but the charge was made that it allowed a conspiracy between the union miners and the operators in the central competitive field—Illinois, Indiana, Ohio, and western Pennsylvania—and the closed shop operators and union miners of other states, whereby money is col-

lected to unionize nonunion competitive fields, as West Virginia. This was said to constitute a conspiracy in restraint of trade and a violation of the Sherman Anti-Trust Act. On October 5, 1921, a circuit judge of Franklin County, Illinois, contending that the check-off system had existed since 1897, issued an injunction restraining the operators from violating their agreement with the miners by abolishing the check-off. Judge Anderson's order was suspended until November 16, 1921, by the United States Court of Appeals, at Chicago, and on December 15, 1921, this same Court ruled that Judge Anderson erred when he enjoined the check-off system, and ordered that a new injunction be drafted giving to the miners the right to fulfillment of existing contracts with operators in the competitive field. The Court also held that the miners' union should be restrained in its attempt to unionize the mines of West Virginia only in so far as their acts immediately and directly interfered with the operation of the mines. Although the check-off system is favored by the United Mine Workers of America and by many operators, it is not indispensable to the existence of trade unions.

7. *The Check-Weighman.*—The check-weighman is the product of the time when coal produced by miners was weighed by a company employee who was not scrupulous in giving accurate weight. An extended struggle was waged by the miners of Great Britain for the right to have one of their own number act as checkweigher. The Mines Regulation Act of 1860 empowered the miners of each pit to appoint their own representative, but confined their choice to persons actually employed at the particular mine. The operators evaded this law, but later acts strengthened the right of the men to have, at the expense of the whole mine, a checkweigher with power to keep accurate and independent record of each man's work. In the United States the employment of the check-weighman is provided by law in some states, but this is not true of all states where coal is mined. The salary of this official is paid by the men in the mine where he is employed, and

the amount is agreed upon between himself and the workers who pay him. Only those who have coal weighed are assessed for this purpose.

The Open Shop Versus the Closed Shop.—The national campaign by employers' associations for the so-called open shop has brought into bold relief an old struggle between organized labor and organized capital. Much of the controversy is confusing on account of the loose usage of terms by the disputants. The term "open shop," when used properly, refers to an establishment where there is no discrimination between union and nonunion workers, and both may be employed. Sometimes the employer is friendly towards the union but refuses to make an agreement with it binding himself to any definite policy, or he may be either indifferent or neutral on the subject of unionism. The industrial relationship in such a shop is very free and likely to be unstable, since attempts will be made to unionize the shop. Other employers make an agreement, or have a mutual understanding with the organized workers which stipulates that both union and nonunion men may be employed.

The term "closed shop" may likewise apply to various types of industrial relationship. The varieties of the closed shop include: (1) the antiunion shop, (2) the closed shop with the open union, and (3) the closed shop with the closed union. The "antiunion shop" is one in which the employer is frankly opposed to the organization of his workers and will not knowingly employ a union man. Indeed, he will discharge any union workman whom he finds in his establishment. This is the kind of shop that the "union smashing" employers' associations insist on maintaining. In accepting employment in such an establishment the worker is frequently required to sign an affidavit stating that he is not a union man and agreeing not to join a union while in the employ of the company without the written consent of the employer. To prevent the employment of union workers, employment bureaus are often maintained. For all practical purposes this is a "closed shop," that is, closed to union workers. The

"closed shop with the open union" is an establishment in which the employer is free to engage whomever he wishes, but a new worker is required to join the union immediately. The union is recognized and formal collective agreements are made between the employer and the organized workers. This is really a "preferential union shop," and exists where the employer, fearing union domination, prefers not to establish a complete union shop, and the workers, fearing nonunion men, will not accept the open shop. In employing new men preference is given to union workers, but if the union cannot fill the vacancies other workers may be engaged. In case the nonunion worker refuses to join the union, the organized workers can secure his removal from the shop as soon as a union man of equal skill is available. This plan exists under the protocols in the clothing industry of the United States. The "closed shop with the closed union" is an establishment in which only union men may be employed and where union membership is difficult to secure. New employees are furnished upon application to the business agent of the union, and in case a worker loses good standing with the organization the employer agrees to discharge him at the request of the union. Membership in a closed union is difficult to obtain on account of exorbitant initiation fees, rigid apprenticeship regulations, and unreasonable entrance examinations. By these means an effective labor monopoly is established.

Since the open or neutral shop is likely to be unusual and difficult to maintain, the controversy between employers' associations and labor organizations in the United States is essentially one concerning the merits of the union and the antiunion shop. Experience indicates that the advocates of the so-called "open shop," or "American plan," do not desire a legitimate open or neutral shop, but rather the destruction of unionism and the establishment of shops closed to union workers. Generally speaking, all industrial establishments are either "union" or "nonunion" shops. The union shop is one in which the

wages, hours of labor, and conditions of work are determined by joint agreement between the employer and the trade union. The nonunion shop is one in which there is no joint agreement and the labor contract is determined arbitrarily by the employer.

Militant employers' associations oppose the union shop on the grounds that: (1) It deprives nonunion workers of their natural, constitutional right to sell their labor under any conditions they deem acceptable; (2) it takes from the employer his right to run his business as he sees fit, without the interferenec of outside agencies; (3) it tends to reduce all workers to the dead level of mediocrity by regulating output and insisting upon uniformity of wages, without regard to differences in workmanship and efficiency; and (4) it results in monopoly of labor and destroys free access to the competitive labor market. It is contended, moreover, that all of these disadvantages and a great many more are removed from the nonunion shop.

In answer to these objections trade unionists insist that: (1) The union shop is necessary to make collective bargaining effective and to prevent infraction of union rules by unscrupulous employers; (2) the interests and welfare of the organized majority should not be jeopardized by a nonunion minority, which is ignorant of the advantages of collective bargaining and has refused to assume a just share of the financial burden incident to securing higher wages, fewer hours, and better conditions of work; (3) the right of the employer to run his business as he sees fit is no longer an absolute right, since the state, through the exercise of the police power, has limited that right by such social measures as workmen's compensation, factory inspection, and minimum wage laws; (4) in standardizing output and wages trade unions merely exercise the same business privilege that every employer enjoys in standardizing the quality and price of his product, and in adjusting the supply for the purpose of assuring solvency and profits; and (5) the employers' interest in the

nonunion workmen and in the welfare of the public is camouflage and effective propaganda for the antiunion shop.

Social considerations must ultimately determine the relative merits of union and nonunion shops. The open union shop is in no sense monopolistic, since every effort is made to induce nonunion workers to enter the union. Monopolies limit supply in order to maintain or increase price; open trade unions make no attempt to limit supply, but rather strive to increase the number of organized workers for the purpose not of establishing a monopoly price for labor but of securing for the workers a full competitive price. Fair competition cannot exist between helpless individual workers and powerful employers. Membership in an open union, it has been suggested, is like citizenship in a democracy, in that both have minimum requirements of admission and anyone may join who meets the standards.

Labor's case for the closed shop with the closed union rests on no such justifiable basis. Impartial judgment condemns this type of shop as autocratic, economically unsound, and socially indefensible. It functions in the interest of a privileged few; puts a premium on economic inefficiency; and discriminates against capable workmen who are willing to assume the responsibilities of union membership, but are kept out by unreasonable restrictions. Equal condemnation can be heaped upon the antiunion shop. The use of the spy system by employers to keep out union workers and organizers results in coercion and intimidation, which destroy the spirit of liberty. Moreover, the nonunion shop is undemocratic in that it denies the workers an independent voice in the control of industry and often forces them to surrender their right of union membership. The closed nonunion shop is difficult to detect, because employers can do surreptitiously what unionists, on account of their numbers, must do openly.

Highly skilled trades with prolonged periods of apprenticeship do not find it necessary to demand a union shop. Unions of unskilled workers, however, especially in the

United States, where cheap immigrant and negro labor is a serious competitive factor, find in the union shop a necessary defense against deterioration of the wage scale and other conditions of employment. Under such circumstances the union shop should be established, provided there are no restrictions on admission to the union. If, on the other hand, the union shop proves economically inefficient and unfair, it can hardly receive social sanction.

Political Action.—In general, the political policy of the American labor movement consists in voting for members of the two prevailing political parties, according as these members befriend organized labor and the cause of the workers. It is a policy of rewarding labor's friends and punishing its enemies. Legislative committees are maintained to watch over the interests of labor in state legislatures and the federal Congress. An effective system of lobbying is used. Recently, there has been a definite movement for direct political action. On November 17, 1918, the Independent Labor Party of Illinois was organized at a meeting of the Chicago Federation of Labor. This movement was endorsed by the state federation and on April 12, 1919, a state convention was held at Springfield, where a constitution and platform were drawn up. In 1919 the central unions of Greater New York and the state federation of Pennsylvania organized labor parties, and within a short time not less than forty labor parties were organized in various parts of the country.

On November 24, 1919, over one thousand delegates representing labor and farmers' organizations assembled in Chicago and organized the Labor Party of the United States. The demands of the various local, state, and national labor parties included nationalization of all public utilities, basic industries and unused lands; government ownership of the banking business; abolition of the United States Senate and state senates; election of federal judges by direct vote of the people for terms not exceeding four years; abolition of profiteering; the eight-hour day and the forty-four hour week; minimum wage for

workers fixed by law; old age pensions, unemployment and sickness insurance; taxes on incomes and inheritances; national initiative, referendum, and recall; international disarmament; abolition of employment for all children under sixteen years of age; the right of labor to organize and bargain collectively; and freedom of speech, press, and assemblage. Fearing a repetition of the disastrous political experiments of the Knights of Labor and earlier organizations, the American Federation of Labor maintained its traditional policy of disapproving all attempts to form labor parties. Developments in 1921-1922 indicate, however, that the workers endorse direct political action in conjunction with the liberal forces in the various states. The success of the British Labor Party has doubtless had an important influence on this movement.

Jurisdictional Disputes.—Throughout its history trade unionism has been threatened with disruption because of disagreements among the various crafts concerning trade boundaries. Frequent and costly strikes, injustice and economic loss to employers, and injury to the prestige of unionism have been among the consequences of these controversies. The lines of division between trades in the complex structure of modern industry are often imperceptible, and with increasing specialization and subdivision of tasks it is a difficult problem for trade unions to determine where the jurisdiction of one craft begins and another ends. Each year the proceedings of the American Federation of Labor contain numerous cases of jurisdictional quarrels, and union officials are constantly perplexed.

Jurisdictional disputes may be classified as: (1) territorial or geographical; (2) intertrade; and (3) organization, which is further divided into (*a*) those disputes which arise from minute specialization of tasks, and (*b*) those developing from a conflict between trade unions and industrial unions. Territorial disputes arise when two or more local trade unions come into conflict over the territorial limits of their authority. As locals are absorbed by na-

tionals adjustments are made by the latter. Sometimes national unions in the same or allied trades may disagree over the area of organization. Intertrade disputes are by far the most general; they develop when one or more trades pass the "dead line" and perform tasks which are claimed to be within the jurisdiction of another craft. These occur most frequently in the building trades, where jurisdictional quarrels cause one-quarter of the total number of strikes. The carpenters object to plasterers putting in laths because this involves the use of wood and the driving of nails; electricians and plumbers who bore holes through wood for the laying of conduits or pipes incur the displeasure of the carpenters' union; and construction electricians quarrel with maintenance electricians over jurisdiction.

Organization disputes developing from subdivision of labor are illustrated by the printing trade. In its simple stage one tradesman performed all the work incident to printing, but in its more complex stage the trade employs pressmen, compositors, book binders, proof readers, mailers, stereotypers, electrotypers, and linotypers. The International Typographical Union, which embraces several classes of workers, has been in conflict with the International Association of Machinists concerning jurisdiction over linotype machinists. The second variety of organization quarrel arises where industrial unions claim jurisdiction over every group of workers in an industry, including the unskilled and auxiliary trades, such as the stationary engineers and firemen, and teamsters who are found in many occupations. Industrial unions, such as the United Brewery Workers and United Mine Workers of America, are frequently in dispute with trade unions within their respective industry.

Several solutions for jurisdictional disputes have been attempted. To promote strict adherence to trade lines, trade unions specify in their constitutions and laws what they consider to be the exact demarcations of the trade. Tribunals for the adjustment of jurisdictional disputes have been organized. The executive committee of the

American Federation of Labor refuses to assume responsibility for the settlement of these grievances but encourages the formation of special committees and tribunals. A national board for jurisdictional awards has been created in the building trades. Amalgamation and industrial unionism, with the abolition of craft unionism, has been proposed as an effective solution. The effectiveness of amalgamation is doubtful, but industrial unionism tends to destroy craft-consciousness and, therefore, to eliminate craft quarrels. Ultimately, the solution lies within the unions themselves. Mr. Gompers has suggested that the elimination of craft disputes is impossible and that the essential element in the lessening of disputes is the development of a spirit of fraternity.

Labor Organizations and Education.—One of the most promising and constructive of modern trade union tendencies is the increasing emphasis that is placed upon the value of education. Both in Europe and in the United States trade unions are urging high standards of public school instruction and are planning advanced education for their members. The British labor movement is interested actively in the direction of Ruskin College, Oxford, which promotes broad education and provides courses of study for residential working-class students as well as courses by correspondence. Other British institutions doing progressive work among the working classes include: The London School of Economics, Central Labor College, and the Scottish Labor College.

In the United States the activities of trade unions for working-class education have made remarkable progress during the last few years. It was estimated that in July, 1921, there were no less than twenty-five trade union colleges in this country. The general purposes of these institutions are: (1) to give the workers an opportunity to make up deficiencies in common educational branches, such as arithmetic, English grammar and literature, and civics; (2) to provide advanced courses in high school and college subjects; (3) to train men and women from the ranks of labor for positions of immediate leadership

in the labor movement; and (4) to educate young men and women in the labor movement for administrative positions which are expected to be assumed when labor's hopes for complete democratization of industry are realized. Many of the institutions are night schools, but in some cities, as New York, Boston, and Chicago, trade union colleges have been organized and are offering courses usually found in college curriculums. Brookwood College, the first resident labor college in the United States, has been established at Katonah, New York.

Perhaps the most extensive work along educational lines among unionists in the United States is that promoted by the International Ladies' Garment Workers. This union appropriated $5,000 for educational work in 1916, but the amount was increased to $10,000 in 1918, and the 1920 convention at Chicago provided for an assessment of ten cents a member, which makes possible the expenditure of $15,000 a year for 1921 and 1922. There are at least seven public schools in the city of New York where the members of this organization are instructed in elementary and advanced courses in English, economics, and hygiene. Physical culture is also provided. These "unity centers" are located near groups of workers, large numbers of whom are foreign-born. Each center has a supervisor appointed by the department of community and recreation centers of the board of education, and at least forty teachers of English are assigned by the evening school department of the city schools to give instruction. A Workers' University is also operated, in which more advanced courses are offered. The curriculum for 1920-1921 included trade union history, policies, and problems; current economic questions and economic geography; logic, literature, sociology, and applied psychology; public speaking; and the coöperative movement. An extension department is maintained. Branches of the unity centers and the Workers' University have been established in Cleveland and Philadelphia, while in Boston arrangements are made for members to take advantage of the Boston Trade Union College. Thou-

sands of workers have availed themselves of these opportunities.

Some Recent Tendencies.—Among the significant tendencies in American trade unionism are the activities for the promotion of industrial unionism, the endorsement of many of the principal aims of socialism, the demand for nationalization of railroads and mines, the movement for an alliance between the miners, railroad workers, and longshoremen, and the rebellion of the rank and file against the conservative policies of national leaders. Craft-consciousness is being discredited and the solidarity of labor is receiving support. Within the American Federation of Labor there is a definite tendency towards industrial unionism, expressed through such organizations as the United Mine Workers of America, which in 1922 called the first joint strike of anthracite and bituminous miners, and the International Union of Mine, Mill, and Smelter Workers. Under the influence of John Fitzpatrick and William Z. Foster, the Chicago Federation of Labor in 1922 endorsed a plan for one big union and carried its propaganda for industrial unionism and the one big union to the annual convention of the A. F. of L., but was unsuccessful. This action was denounced vehemently by Mr. Gompers, who declared the one big union idea subversive of Americanism. The rebellion of the rank and file has been manifested in numerous "illegal" or "outlaw" strikes. The Amalgamated Clothing Workers of America and several other organizations are openly sympathetic with the socialist program.

The movement for nationalization has been supported by the United Mine Workers of America and the railroad workers, with the endorsement of the American Federation of Labor. The plan for nationalization of the railroads was conceived by Mr. Glen E. Plumb, General Counsel for the railroad employees. The "Plumb Plan" calls for government ownership, but places the operation of the roads in the hands of a board of fifteen directors, five named by the President of the United States to represent the public, five elected by the operating officers, and

five by the classified employees. It is proposed that the government issue bonds to secure funds for the purchase of the railroads. After operating expenses are paid, and fixed charges are met, including interest on outstanding government securities, the surplus is to be divided equally between the government and the men. The dividend to labor is to be divided between the managerial officials and the classified employees, the former receiving double the rate that goes to the latter. This is called a "dividend on efficiency." Replacements, improvements, and extensions are to be paid by the government out of its share in the earnings.

The United Mine Workers of America, in its 1919 convention at Cleveland, Ohio, passed unanimously a resolution demanding immediate nationalization of the coal-mining industry of the United States on the grounds that: (1) Coal mining is a basic industry, indispensable to the economic life of the nation; and (2) under private ownership and operation this important natural resource is being wasted profligately without regard to the welfare of future generations. The proposed plan called for government ownership and operation, with equal representation accorded to the miners on all administrative committees and councils.

Incorporation of Labor Organizations.—The extraordinary numerical growth of trade unions, coupled with their increasing political influence, has led to a demand for their legal responsibility. Incorporation is urged for the following reasons: (1) In the interest of social welfare and industrial stability, such powerful associations should acquire the privilege to sue and the liability to be sued; (2) the assumption of legal responsibility by trade unions would tend to promote a general system of collective bargaining, since employers would have redress in the case of abrogation of contracts, and unions would enjoy the same privilege; (3) if trade unions were made legally responsible, their policies and practices would tend to become more conservative and constructive, reducing to a minimum emotional and spasmodic actions; and (4) it

is only just that an association of citizens who individually and collectively claim constitutional rights and legal protection should assume the duty of amenability to the laws of the states and the United States.

Numerous objections are raised by organized labor against incorporation. It is contended that the case for incorporation rests upon a fundamental assumption that is false; namely, the irresponsibility of trade unions and their tendency to violence. Judicial decisions interpreting the labor clauses of the Clayton Act indicate unmistakably that labor organizations in the United States are legally responsible for wrongful acts committed by them or in their name. Moreover, the Danbury Hatters' case shows that trade unions can be sued for damages in the event of illegal activities. Litigation of this sort would be brought more freely by employers unsympathetic with unionism, if incorporation were compulsory, with the result that trade union funds would soon be depleted. Organized workers are convinced that the courts are prejudiced against union policies and methods, and that judges are obsessed with the concept of the sacredness of property rights. Even if the courts were impartial, unions could not afford to employ legal advisers comparable in training and ability with those in the employ of powerful corporations. It is further contended that trade unions are not associations organized to make profit through the production and sale of commodities, but voluntary associations formed for the purpose of bargaining collectively in the sale of labor, which is not a commodity. Incorporation seems unnecessary in view of the very important decision handed down in June, 1922, by the United States Supreme Court in the Coronado coal case, to the effect that labor organizations, although unincorporated voluntary associations, may be prosecuted for violations of the Sherman Anti-Trust Act, and possess the power to sue and be sued. Unwilling incorporation would doubtless lead to surreptitious evasion of the law by employers and employees who would mutually agree to waive the privilege of prosecution. Voluntary agreements between associations of

employers and unions of employees providing for peaceful negotiations will produce better results than incorporation.

Conclusions.—Unionism is a product of industrial conditions and is, therefore, inevitable and necessary. If the lessons of history teach anything, it is that labor organizations cannot be crushed and that, if suppression were possible, it would not be desirable either industrially or socially. Unionism is indispensable to the protection of the workers' interests against the selfish and unsocial attitude and practices of unscrupulous employers. Labor organizations, however, when allowed to function uncontrolled by society, may be a power for harm. It becomes necessary, therefore, for society to legalize the peaceful functions of unionism and to punish violent and illegal activities. Such punishment, however, must be based upon adequate and impartial investigation of facts and not upon the perjured evidence and testimony of antiunion forces.

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CHAPTER XVII

EMPLOYERS' ASSOCIATIONS

Reasons for Existence.—The discussion of labor organizations in the preceding chapters suggests that one of the most significant developments in industrial relations during the past century was the profound consciousness of group interests and solidarity among the wage-earners. This consciousness, which was the product of industrial experiences, found objective expression in organization and collective bargaining. A conception of common interests grew much more slowly among employers, but such a development was inevitable in view of the growing power of unionism. The rapid growth of employers' associations since 1885, and especially during the last two decades, is one of the outstanding features of the labor movement in America. Moreover, similar movements have taken place in other advanced industrial countries. These associations are formed for the primary purpose of dealing collectively with, or resisting organizations of employees.

Development.—The employers' association is not a new institution in our industrial system. Indeed, it is as old as the trade union itself. Like the latter, the early associations of employers were of an ephemeral nature, springing into existence during periods of pronounced trade union activity, as the thirties and sixties, and subsiding when this activity declined. In recent decades, however, employers' associations have assumed a permanent character and now hold a position in the American labor movement no less important than associations of employees. Their financial power is far greater than that possessed by organized labor. Great improvements in the structure, policies, methods, and financial status of these

organizations have made them effective in dealing with unionism.

The collective action of wage-earners during the late eighteenth and early nineteenth centuries was met by similar action by employers. Thus, we have record of the "Society of Master Cordwainers of the City of Philadelphia" in 1789, while in Boston the merchants and shipowners formed associations to "discountenance and check the unlawful combination formed to control the freedom of individuals as to the hours of labor and to thwart and embarrass those by whom they are employed and liberally paid." The leather dealers and the employing leather dressers of New York City formed associations for the same purposes in the decade of the thirties. Like the unions of employees, these early associations first emerged in the larger industrial cities where competitive conditions were fairly uniform and community of interests was not difficult to recognize. The early trade associations of employers confined their efforts largely to the promotion of social and educational activities, the securing of legislation designed to aid their particular trades, and, occasionally, to the restriction of competition and regulation of prices.[1]

The numerical strength of employers' organizations was relatively insignificant until the period of business revival and industrial expansion following the Civil War. This is accounted for by the fact that prior to the reconstruction period the labor movement consisted chiefly of local organizations more or less unrelated to one another. As the unions gained in numerical strength, established interrelations, formulated a definite and aggressive program and harassed employers, the latter sought protection in unified action, and formed associations to offset the work of the unions. Because the competitive area was predominantly local it was natural that the early employers' associations, like the early trade unions, should be local. In 1864 the iron founders of Chicago found it necessary

[1] Hollander and Barnett, *Studies in American Trade Unionism*, p. 186.

to protect their interests by organizing the Iron Founders' Association, which conceded the right of wage-earners to organize but refused to admit interference by labor organizations in the administration of the employer's business. Similar local associations were established in the building trades, in which sympathetic strikes and union jurisdictional disputes resulted in serious injustice to contractors.

As the economic competitive area widened into national scope and the local trade unions were united either by a process of amalgamation or by federation into national organizations, the national employers' association became a reality. In 1875 the first important national association, the United States Potters' Association, was created. This was followed in 1886 by the Stove Founders' National Defense Association, which, beginning with 1891, made formal contracts with the Iron Moulders' Union of North America and other organizations of skilled workers in that part of the foundry industry concerned with the manufacture of stoves and furnaces. The achievements of this association in promoting industrial peace by collective labor contracts led to the creation in 1898 of the more comprehensive association of employers known as the National Founders' Association, and stimulated the growth of other national associations. In the fall of 1899 the National Metal Trades Association came into existence. By 1905 national associations had appeared in such important industries as the stove and furnace industry, metal foundry work, lake transportation, machine construction, publishing and printing, marble cutting, and the manufacture of ready-made clothing.[2] The Illinois Coal Operators' Association was organized in 1897.

Between 1895 and 1900 the unions in the building trades were federating into local building-trades councils, and their frequent use of the sympathetic strike paralyzed construction in cities; in Chicago twenty-three such strikes occurred during the erection of a single building.

[2] W. F. Willoughby, *Quarterly Journal of Economics*, Vol. 209, p. 115.

The menace of the sympathetic strike forced the employers to federate their local asociations. Thus the Chicago Building Contractors' Council was formed out of fifteen associations in that trade. In 1903 the New York City Building Trades Employers' Association was organized. In December of the same year the National Building Trades Employers' Association was formed in Chicago to parallel the federation of national unions known as the Structural Building Trades Alliance. Local general associations also sprang up, such as the Employers' Association of Dayton, Ohio, which was organized in June, 1900, and the Chicago Employers' Association, created in October, 1902—large federations of various trades and businesses.

In 1895 the National Association of Manufacturers was formed. While its primary purpose is the promotion of export trade, it has manifested very keen interest in labor problems. This association was responsible for the organization of the Citizens' Industrial Association of America, in 1903, the definite program of which was to oppose organized labor. Local "Citizens' Alliances" sprang up in the same year in Denver and elsewhere. These comprised employers and other citizens who wished to defeat the forces of organized workers. In 1902 the American Anti-Boycott Association was created for the purpose of attacking labor through the courts. This association is now known as the League for Industrial Rights, and is an efficient ally of the National Association of Manufacturers. In 1907 the latter organization formed the National Council for Industrial Defense, for the purpose of fighting labor legislation in Congress and the state legislatures. State associations of manufacturers, such as the Illinois Manufacturers' Association, have been created, which not only promote trade interests but oppose organized labor and defeat labor legislation. In Illinois, for example, the proposed eight-hour law for women and the legal minimum wage have been defeated chiefly through the effective lobbying of the state manufacturers' association.

During the last decade the growth of employers' associations has been phenomenal. Ever since the close of the Great War in 1918, employers have made an unprecedented effort to marshal their forces in the fight against unionism and the union shop. A partial survey in 1920 showed 540 employers' associations in 247 cities scattered throughout forty-four states, 23 national industrial associations, 1,665 local chambers of commerce, and the Chamber of Commerce of the United States, all of which had a definite labor policy and for the most part sought to promote the nonunion shop and resist the demands of organized labor. The new organizations that came into existence included the National Industrial Conference Board, created in 1916 for the purpose of collecting information and giving expression to the voice of employers on vital problems affecting their interests. A thorough survey made by this board in December, 1921, brought returns from 2,700 employers' associations, which included national, interstate, state, and local associations. The survey, when completed, was expected to show more than 3,000 associations of employers in the United States, with a total membership exceeding 4,000,000. This total includes many persons who belong to several associations and are counted more than once.

Types.—Employers' associations tend to become coextensive with labor organizations. The local trade unions are paralleled by the local trade employers' association, the city central or city federation of labor by the general employers' association, the state federation of labor by the state employers' association or the manufacturers' association, the national and international trade union by the national and international employers' association within the trade, and the general federation of labor by the national association of manufacturers. There are not only local, county, state, interstate, and national associations of employers within a given trade, but geographic divisions are found in the case of general employers' associations comprising employers from various trades, and in very prominent instances, as coal mining, where industrial

unions are organized the associations of employers take an industrial form. Parallel organization of employers in the building trades is illustrated by the Chicago Building Construction Employers' Association, the Central Illinois Building Contractors' Association, the Associated Building Contractors' Association of Illinois, and the National Building Trades and Employers' Association. General associations are illustrated by the Chicago Employers' Association and the Associated Employers of Indianapolis; the Manufacturers' Association of Hartford County, Connecticut; the Tri-City Employers' Association at Cohoes, New York; the Illinois Manufacturers' Association; and the National Association of Manufacturers. The Illinois Coal Operators' Association, the Southwestern Interstate Coal Operators' Association, and similar associations in other competitive fields, are attempts to make the employers' organizations coextensive with the United Mine Workers of America.

Classified according to their general purposes, employers' associations may be divided into two groups: (1) bargaining associations, or those which are organized primarily to deal collectively with unions; and (2) militant associations, or those which are created to oppose collective bargaining and to discredit and defeat unionism. The first group represents a logical complementary structure to unions of employees, since true collective bargaining can take place only when both employers and workers are organized into associations of comparatively equal strength, and peaceful negotiation is the normal method of settlement. For many years joint agreements have been concluded by associations of employers, and trade unions in the building trades, the printing trades, the coal-mining industry, and numerous other trades and industries in the United States and other countries. Associations of employers in many of these trades have adopted the permanent policy of recognizing the right of the workers to organize and bargain collectively and of coöperating with trade unions in establishing fair wage

scales, reasonable hours, and desirable conditions of work.

The militant employers' association is a comparatively recent type of organization in the American labor movement. Formed originally for the purpose of dealing collectively with powerful trade unions, many of these associations have assumed a hostile attitude towards unionism only after the failure of joint agreements. This was true, for example, of the National Metal Trades Association and the National Founders' Association, both of which had agreements with the national unions in their respective trades. In recent years, however, an increasing number of these associations have been formed with the definite purpose of crushing unions. All attempts to democratize industry through trade unionism are rejected. They function to "establish and maintain liberty of contract" and to safeguard the employer's absolute right to run his business as he sees fit. The Southern Dental Trades Association "promotes the open shop; preserves equitable conditions in shops for protection of employer and employee; adjusts certain disputes between management and men; and refuses any interference with management by labor organizations." Many other hostile associations oppose the union shop, strikes, and trade agreements, and devote their efforts to procuring "suitable employees" for members through free employment offices. This type of association frequently announces that it has no objection to labor organizations as such, but opposes them whenever they show signs of life and aggression. Prominent among the associations hostile to organized labor are the Associated Employers of Indianapolis, the National Metal Trades Association, the National Founders' Association, the Illinois Manufacturers' Association and other state associations of this kind, the National Council for Industrial Peace, the League for Industrial Rights (formerly the American Anti-Boycott Association), the National Association of Manufacturers, and numerous citizens' alliances. There are many associations of employers that have no positive functions such

as collective bargaining nor negative functions such as those claimed by hostile associations, but exist merely for incidental activities of fellowship.

Government, Methods, and Policies.—Employers' associations have borrowed largely not only from the structure of labor organizations but also from their methods and practices. "Almost every important feature of trade union organization finds its counterpart in the employers' organizations. Each attempts rigidly to control the action of its members in respect to the inauguration or settlement of trade disputes. Each has its defense fund, and aids financially and in other ways the member involved in a dispute resulting in a cessation of work. While the trade union seeks to limit the opportunities for employment to a body of men professing its principles, the employers' organization, through its employment and registration systems and the giving of certificates of recommendation, attempts to secure another labor force that will make it independent of such union labor. Just as the unions also have found it necessary to employ salaried business agents, or 'walking delegates' . . . so employers' organizations have their commissioners with analogous functions."[3] The strike, the boycott, the picket, the unfair list, and the union shop are met with the lockout, the injunction, the blacklist, the employment and registration bureau, and the open shop.

The form of organization is not unusual. The local trade association consists of employing firms in the trade, while the general association draws its membership from miscellaneous trade associations and individual firms. Administrative authority is usually vested in a council consisting of the major association officers and certain delegates. The executive work is done by a commissioner, business agent or executive secretary, a salaried official, who investigates difficulties and sets in motion the machinery of adjustment or defense. In the case of national trade associations the country is divided into ten or more

[3] Willoughby, *op. cit.*, pp. 143, 144.

districts each having a chairman, vice-chairman and committee.

Employers' associations hold inviolate the right to hire and fire, and often wage uncompromising war upon the union shop. It is claimed that the employer must be free to employ whom he will at wages mutually satisfactory, without interference on the part of individuals or organizations not directly parties to the contract. Labor unions as such are not objectionable even to the militant employers' association, provided there is no insistence upon the right of collective bargaining, and the use of the unfair list, boycott, strike, and other "illegal methods." There is to be tolerated no infringement upon the personal liberty either of employer or of the employee, no restriction of output, no limitation on the number of apprentices, and no interference whatever with the management of the enterprise. It is insisted that the employer be free to determine the number of apprentices, helpers, and handymen for his establishment, that he enjoy the untrammeled right to introduce his own methods of industrial remuneration, whether time wage, piece wage, premium plan or contract work. Moreover, employers must be free to introduce whatever new machinery and appliances are deemed necessary to greater efficiency. Provided these fundamental principles are not compromised, there is a willingness on the part of employers' associations generally to agree to arbitration either by an impartial outside arbitrator acting alone or by a board of joint representatives of employers and employees with an impartial chairman.

To make their associations effective employers have found it necessary to accumulate large financial reserves, to adopt systematic tactics of defense and aggression, and to introduce methods of discipline. The associations require an initiation fee which usually ranges from $25 to $50, and annual dues and assessments for emergencies which vary in amount. When a member is engaged in a fight for the open shop or the defense of some other principle proclaimed by the association, financial aid is given

him either directly or indirectly. Banks are often induced to refund interest on loans during a strike, and efforts are made to persuade owners not to enforce penalties for failure to complete building structures or other contract work on time. Direct compensation is given in the form of a "strike benefit" paid from an accumulated reserve fund set aside especially for fighting organized labor. Other means of aiding needy members consist of taking unfilled orders from the shop which is on strike, having the work completed in the establishments of other members of the association, and sending the finished products out under the name of the plant that is having trouble with labor. Under such circumstances the profits are refunded to the owner of the shop in which the strike is occurring. Employees who are not members of the union and not on strike are taken from the shop where no strike has been called, and placed on work in the establishment where there is trouble. These so-called "independent men" are engaged on a yearly contract for just such a purpose, and often prove effective strike-breakers. The associations often solicit special orders for shops having labor trouble in order to assure success in the fight by maintaining output.

To assure an adequate supply of nonunion labor, associations operate their own employment bureaus, and issue certificates of recommendation to "suitable employees." There is no objection to such agencies for the recruitment of labor, although such a function can be performed best by the public employment service, free from prejudice and not motivated by selfishness. It is to the system of registration and certificates of recommendation that organized labor has registered objection. An elaborate system of card files is maintained containing the records of each employee engaged in the establishments of members of the association. This system is a valuable aid to employers in so far as it gives them the employment record and qualifications of employees within the trade.

The evil arises when an association which is openly opposed to labor organizations issues certificates of approval

only to those workers who have no affiliation with unions and who are so tractable as to accept undesirable conditions of employment without protest. Discrimination may thus be exercised against an efficient worker for no other reason than membership in a trade union, a right which the employer claims for himself by reason of his membership in the employers' association.

Methods and policies of employers' associations include: (1) refusal of aid to members operating under a closed shop agreement; (2) withholding of advertisements from newspapers friendly to unions; (3) persuasion of strong union leaders to abandon trade union leadership; (4) detachment of workers from their unions by forcing them to sign individual contracts which provide a penalty of loss of unsettled wages in case of a strike; (5) the use of espionage systems and detective agencies to watch the movements of the unions, and to ferret out employees who are actively engaged in union activities; (6) promotion of industrial, and vocational education, to break down trade union restrictions on apprenticeship; (7) organization of "fake" or company unions strictly amenable to the wishes of the employers and antagonistic to regular trade unions; (8) provision of strike-breakers; (9) promotion of statutes providing for state constabularies, and encouragement of the use of state and federal troops in localities where strikes are on; (10) widespread and often exaggerated publicity concerning the use of intimidation and violence by labor organizations in strikes, the misuse of union funds, and the criminality of trade union activities; (11) organized attack upon trade unions through the courts, obstructing their effectiveness and weakening their financial resources; (12) political participation to secure the election of men who are known to be conservatives and sympathetic with the cause of employers; (13) maintenance of lobbies in state legislatures and Congress; and (14) promotion of educational campaigns setting forth the merits of freedom of contract and the open shop, spreading propaganda against unionism as being radical and bolshevistic, and discouraging labor leaders.

Examples of Successful Employers' Organizations.—1. *The National Association of Manufacturers.*—This association was organized at Cincinnati, in 1895, and incorporated under the laws of New York in 1905. Although established chiefly to promote trade, especially foreign trade, this body has adopted a very definite labor policy, and to-day organized labor in the United States has no greater single antagonist than this national association. The membership fee is $50, and in 1915 the membership had grown to 4,000. In 1921 the association itself was composed of 5,700 different concerns, and it had organized the National Industrial Council which is comprised of approximately 300 state and local employers' associations. These 300 organizations represent 55,000 industrial establishments, and it is estimated that the National Association of Manufacturers represents, through itself and the council, not less than 60,000 different employing concerns which have about 6,000,000 employees and produce from 75 to 80 per cent of the manufactured commodities of the country.

The aggressive labor policy of the association dates from 1903, when an effort was made at the New Orleans convention to enlist the support of the organization in a fight against the union shop, the boycott, the strike, and the exemption of labor unions from prosecution under the Sherman Anti-Trust law and from liability to injunctive action by the courts. The growing power of the American Federation of Labor was the reason for alarm. Although sympathetic with these suggestions, the association was unwilling to divert its energies from trade activities, and provided for a committee to consider the advisability of a separate organization for this purpose. A conference of members and officers of employers' associations and citizens' alliances was held in Chicago, October 29 of that year, where the Citizens' Industrial Association of America was formed. The general purpose of the new association was to wage war against unionism, but the organization did not prove wholly satisfactory. As a result of several conferences of the most powerful em-

ployers' associations in the country, there was formed, in 1907, a voluntary association known as the National Council for Industrial Defense. This new movement was also sponsored by the National Manufacturers' Association. The real purpose of the council was to oppose labor legislation in Congress and the state legislatures and to fight the "vicious labor trust." The activities and methods of the National Manufacturers' Association in influencing elections and legislation were exposed in 1913, in the *New York World* and the *Chicago Tribune,* by Martin M. Mulhall, a former agent of the association. In recent years the association's activities in behalf of the open shop and against the strike, boycott, and labor legislation have been very vigorous. It distributes free bulletins on these issues, maintains an open shop department, and publishes periodicals. Functioning through well-paid experts, state associations of manufacturers, and numerous local, district, and national organizations, its policies are executed with great effectiveness.

2. *The League for Industrial Rights.*—The League for Industrial Rights was organized in 1902, under the name of the American Anti-Boycott Association, the purpose of which was to attack organized labor through the courts and to "maintain law and order and individual liberty in the field of industrial relations." During the first fifteen years of its existence the league had a comparatively small, but loyal and persistent membership. With the serious labor problems of the war and reconstruction periods straining industrial relations, its membership and power have increased. It is now regarded by employers as the chief source of information concerning the legal and constitutional phases of industrial relations. The League, moreover, advises its membership relative to the most helpful ideas and experiments in improving these relations. It retains counsel in New York, Washington, Chicago, St. Louis, Memphis, San Francisco, and other cities where conditions require its services. Among the most decisive legal victories which the league has won for employers are the Danbury Hatters' (1908) and the

Buck Stove & Range Company (1907) cases. For disobeying a sweeping order of injunction restraining a boycott against the latter company, Samuel Gompers, Frank Morrison and John Mitchell, officials of the American Federation of Labor, were sentenced to terms of imprisonment of one year, nine months, and six months respectively. Under the former case the Hatters' Union was fined $232,240 damages for boycotting Loewe and Company. In February, 1908, the Supreme Court of the United States handed down an opinion that labor unions in the exercise of the boycott might come under the condemnation of the Sherman law. It was this opinion that was responsible for the victory of the employers in the Hatters' case. More recently (1921) the league secured another important decision in the Duplex Printing Press Company case in which the opinion of the Court practically ended the contention that the labor provisions of the Clayton Act (1914) exempt labor unions from the anti-trust laws, reaffirmed the power of the courts to use the injunction in labor troubles, and asserted the right of private parties to be protected from primary or secondary boycotts in interstate commerce.

The league has maintained an effective lobby at Washington for the prevention of legislation exempting labor from anti-trust laws, abolishing injunctions, repealing the law of conspiracy and otherwise limiting the power of the courts. Recently the league has sought to have enacted laws (1) to "maintain the supremacy of government and protect the interests of society"; (2) to establish the responsibility of unincorporated associations (chiefly labor organizations) under the law by giving them the capacity of suing and being sued; (3) to make it illegal for any organization to use its influence, resources, and machinery to carry on industrial warfare except as a last resort; (4) to forbid policemen and firemen from engaging in a strike or joining a labor union; and (5) to provide that conditions of employment on public utilities shall be regulated by disinterested agencies and that strikes and lockouts hindering transportation shall be prohibited. The

league protects employers from union interference by drawing up specific contracts and formulating constitutions, by-laws, and policies for shop committee systems designed to keep out unions. More than 2,000 employing concerns are represented in the league. In 1921 the executive secretary stated that its activities are confined primarily to interpreting, enforcing, and preserving the laws of the country which protect the manufacturer and the nonunion man against picketing, boycotting, and sympathetic and other unlawful strikes; and in securing greater respect for law and a better understanding of the principles of liberty. The league claims that it is responsible for the abandonment of many vicious practices by trade unions. Its official organ is *Law and Labor.*

3. *The National Founders' Association.*—The National Founders' Association was formed in Cincinnati, in 1898. The original purpose was to provide machinery for bargaining collectively with the Iron Moulders' Union of North America which was organized in 1859 and had acquired considerable power in machine foundries. In 1899 the "New York Agreement" was made, which provided for the settlement of disputes by a joint board consisting of an equal number of representatives of employers and employees. This agreement was abandoned in 1904 on account of the failure to agree on its interpretation. Since that time the association has operated independently of the union and under a policy of freedom of contract which is based upon the open shop principle.

Its present policies may be summarized as follows: (1) the right of an employee to work regardless of his affiliation or nonaffiliation with a union; (2) the operation of moulding machines and improved appliances without restrictions by labor organizations; (3) freedom of apprenticeship; (4) liberty of the employer to run his business as he pleases; (5) a fair day's work for a fair day's pay; and (6) no limitations on the employers' method of industrial remuneration. The association procures for members workingmen to take the place of those on strike, to the extent of 70 per cent of the average pay-roll according

to the last two quarterly reports preceding the strike; makes provision to have work done for these members in other shops to the extent of 70 per cent of the normal production; and gives direct financial help, the amount to be determined by the administrative council, but in no case to exceed $2 per man per day to the extent of 70 per cent of the average number of men employed. A bonus and certificates of loyalty are given to strike-breakers in the employ of the association.

No member of the association is allowed to make a settlement with his workers without the consent of the administrative council. An effective blacklist is made against those workers who go on strike, so that a person who has been on strike in the plant of one member of the association is unable to secure employment in the plants of the other members. For administrative purposes there are ten districts with a district committee of five members each. There is a president, vice-president, treasurer, auditing committee, administrative council and a commissioner. The administrative council consists of the chairman and vice-chairman of each district, together with the president, vice-president, and treasurer of the association. This is the real administrative body of the national organization. The executive work is done by the commissioner, a salaried official, who is appointed by the administrative council. The commissioner, who is the business agent of the association, corresponds to the business agent of the trade union. The annual dues of $50 formerly required by the organization have been abolished, but each member contributes to the reserve or defense fund and pays regular and special assessments to aid the work of the association. Each member contributes in proportion to the average number of moulders employed, the amounts ranging from 40 cents for coremakers to 60 cents for journeymen floor moulders. The minimum assessment for any one plant is $25 a quarter. Special assessments, which are determined by the administrative council, are made to provide for emergencies, and are levied on the basis of the number of employees reported

for the preceding two quarters, prorated as above. Assessments for strike benefits have been one of the chief causes for resignations from the association.

The National Founders' Association, in common with other organizations of employers, keeps a representative at Washington to watch over legislation, and it has joined with other associations in fighting various forms of labor legislation and in securing the enactment of laws to benefit business. In conjunction with the National Metal Trades Association it publishes the *Open Shop Review,* through which it disseminates effective propaganda against unionism. A labor department is maintained for the purpose of recruiting skilled and unskilled workers. No charge is made for this service, and it has been a valuable agency in procuring workers to replace strikers. The policies and methods of the association are essentially hostile to trade unionism.

4. *The National Metals Trades Association.*—This is an association of employers engaged in the manufacture of metal goods of all kinds. It was organized in the fall of 1899 for the purpose of eliminating strikes and lockouts by a process of conciliation and arbitration. A joint board of conciliation was formed, consisting of an equal number of representatives of the Association and the International Association of Machinists. The Chicago Agreement of 1900 is among the most notable agreements that have been drawn up between capital and labor. In 1901, however, a rupture took place in the joint relations which resulted in the abrogation of the agreement and a declaration of principles by the employers, on the basis of which they have ever since proceeded in their employment relations.

The fundamental objects of the association are practically the same as those of the National Founders' Association. The principle of the open shop is rigidly maintained; the national and affiliated associations operate employment departments; independent workers are secured to take the place of strikers to the extent of seven-tenths of the number of employees at work in the plant

prior to the strike, according to the last quarterly report; a bonus is given strike-breakers; and members whose workers go on strike are tided over the difficulty by financial and other aid. The administrative council is the most active guardian of the association's welfare. Four-fifths of the vote of the annual convention or of a special convention is required to sanction a general lockout. Local lockouts must be sanctioned by a vote of members employing nine-tenths of the operatives which are under the jurisdiction of the district or local branch, and must be approved by a two-thirds vote of the administrative council. There is to be no willful provocation of strikes by members, and all settlements must be approved by the administrative council.

In addition to the initiation fee of $50, there are quarterly assessments determined according to the needs of the association, not to exceed 20 cents per operative per month, but no quarterly assessment of less than $5 for any one plant is allowed. Special assessments are made in emergencies, according to the determination of the administrative council. Assessments are based upon the number of operatives in the plant. There are two funds; namely, the general fund out of which current ordinary expenses are paid; and the defense fund, which is used for emergencies occasioned by strikes, lockouts and other difficulties. No member can resign from the association during a strike or pending a settlement. A three-fourths vote of the administrative council is required to suspend or expel a recalcitrant member, and thirty days' notice by the commissioner must precede expulsion. The National Metal Trades Association evidences a policy of antagonism to unionism.

5. *The National Industrial Conference Board.*—This organization was founded in May, 1916, to unify and centralize the efforts of industrial associations in studying and solving the economic problems of industry and to take constructive action in respect to issues vital to the welfare of its members. Its membership includes a large number of employers' organizations representing over

60,000 manufacturers who employ from 7,000,000 to 8,000,000 workers. The board claims (1) to ascertain economic facts and draw conclusions therefrom; (2) on the basis of these conclusions to secure coöperative action of employers and manufacturers for the promotion of their own interests; (3) to encourage peaceful and satisfactory industrial relations; (4) to give the public accurate information regarding industrial conditions and legislation; and (5) to command the attention of the government when formulating industrial legislation and policies. Through its weekly publication, *The Industrial News Survey,* and its various research bulletins on industrial problems, it presents effectively the point of view of the employing group. Its publications, excellent in many particulars, have been not unjustly criticized as presenting facts furnished solely by employers and manufacturers and, therefore, as drawing conclusions which would not be substantiated by impartial investigations.

6. *Building Construction Employers' Association of Chicago.*—This association, organized July 27, 1911, is typical of similar associations in other cities and trades. The constitution of the association declares that its objects are: to promote just and equitable treatment in industrial relations, regularity of employment, control and enforcement of trade agreements, adjustment of disputes by arbitration, and industrial peace; but not to control prices or restrict competition. Through its executive board the Chicago association determines, regulates, and controls the conduct of members in all controversies arising between its members and employees. It also seeks to protect the trade interests of its members

The fundamental principles incorporated into its agreements with trade unions are: (1) no limitation of output; (2) no restriction of the use of machinery or tools; (3) no restriction of the use of any raw or manufactured materials except prison made; (4) no interference with workmen during hours of employment; (5) no prohibition of apprentices; (6) foremen to be selected by and to be the agents of the employers; (7) all workmen to be at

liberty to work for whomever they see fit; and (8) all employers to be free to employ and discharge whomever they wish. The initiation fee of an individual member is $25 and of representative members $1, and each member pays dues to the extent of two-tenths of one per cent of all contracts made by him, the minimum dues being $12 per annum. Members may be fined, suspended, or expelled for failure to carry out the agreements made by the association. The grievance committee takes charge of all disputes, but settlement is made through a joint board of arbitration. All strikes are reported to the secretary within twenty-four hours of the time they begin. Local associations usually support a business manager who is the official representative of the association in all business dealings with members. He is the walking delegate, or, as the unions call him, "the business agent of the millionaires' club." Building contractors' associations are usually organized into state associations.

7. *The Associated Employers of Indianapolis.*—This successful militant association was organized in January, 1904, for the purpose of achieving community betterment "through the scientific and collective handling of vexatious industrial problems." Indianapolis had been strongly unionized and strikes were frequent prior to the advent of the new association of employers. The association has well-defined principles that guide its dealings with wage-earners. Harmonious industrial relations are desired, and the principle of a fair day's work for a fair day's pay is adopted. The union shop is opposed on the grounds that it is "un-American, illegal, and unfair to the independent workman who does not desire to join the union; to the employer who prefers to operate an open shop; and to the public." Lockouts, strikes, sympathetic strikes, and boycotts are opposed, and law and order are defended. The association seems to have no objection to labor organizations as such, except when they become active and endeavor to unionize establishments. There is to be no collective determination of wage contracts: and no interference with the absolute rights of property and

person, including the right of the employer to engage any workmen under conditions that seem to him fair. The association urges betterment of working conditions and "just wages commensurate with individual efficiency, loyalty, and service," but the employer must be free to determine independently what constitutes a just wage. Strikes are condemned as wasteful, and prevention is urged on the basis of economy.

In its membership of about five hundred persons the association has a representative of practically every department of industrial and commercial activities. The membership fee is $10, and dues are $12 per annum with an additional fifty cents a year for each additional employee in excess of twelve. Moral and financial support is given members in the event of a conflict with labor involving "the freedom of contract, open shop, employment of apprentices, restriction of output, strikes or sympathetic strikes, and boycotts." Members thus aided are not allowed to make an independent settlement that will sacrifice these principles, but must secure the sanction and approval of the executive committee in the negotiation of such an agreement. The so-called American plan is promoted and it is stated that 90 per cent of the industrial enterprises of the city now operate on the open shop basis, some industries being 100 per cent open shop. The building and the printing trades have been able to withstand the attacks of the association.

If space permitted, the following associations should be discussed: The National Civic Federation (1910), which promotes industrial peace; The American Newspaper Publishers' Association (1887); the United Typothetae (1887), which has an "open shop division" organized in 1912, and a "closed shop division" created in 1916; the National Erectors' Association (1903), a militant association in the iron and steel industry and the building trades; the Stove Founders' National Defense Association (1886), originally militant, but now conciliatory; and the Building Trades Employers' Association of New York City, (1903).

The Achievements of Employers' Associations.—Associations of employers, like associations of employees, have amply justified their existence in the eyes of those whose particular interests they have been created to promote. The achievements of such organizations cannot be measured statistically. There is justification for the claim that employers' associations have (1) greatly lessened the frequency, if not abolished, the sympathetic strike in important industrial centers; (2) checked the movement of capital from those cities in which incessant labor troubles discouraged investment and the establishment of industrial enterprises; (3) demonstrated the effectiveness of the lockout as a means of breaking strikes; (4) protected the nonunion man in the exercise of his constitutional right to work for whom he pleases; (5) secured the passage of legislation designed to promote the general interests of employers, and prevented the enactment of laws sponsored by the American Federation of Labor and other labor interests which would free unions from prosecution as conspiracies and interfere with the employer's freedom in the administration of his business; (6) attacked labor organizations successfully in the courts by causing the issue of injunctions to restrain their actions in boycott, and even caused unions to be sued for damages; (7) introduced in many trades and industries acceptable agreements with employees, either individually or collectively, providing for the amicable adjustment of industrial disputes; and (8) sponsored industrial betterment movements which are designed to promote the welfare of the workers and assure industrial peace.

The Attitude of Organized Labor Towards Employers' Associations.—It is natural that organized labor should criticize the methods and policies of organized capital. In so doing the workers are merely practicing what employers themselves practice on a general scale. Harmonious relationships have not yet been established between these two groups of industrial interests. Organizations of employers necessarily imply limitation of the power of organized labor, and vice versa. Labor is not

fundamentally opposed to employers' associations as such, but rather to what the workers conceive to be abuses and injustices imposed by these associations. Organizations of labor have been severely denounced in periodicals and press propaganda issued from the offices of associations of employers. Trade union abuses have often been emphasized to the total exclusion of the constructive work of the unions. Many prominent labor leaders, however, have recognized the necessity and value of employers' associations. John Mitchell stated that "unions should not adopt an antagonistic policy towards organizations of employers, unless such organizations show themselves distinctly and unmistakably hostile to labor. . . . Trade unions recognize that an association of employers is better able to combat them than a number of individual competing employers; but they also recognize that the association is, as a rule, more responsible, more conservative and better disposed than the individual employers of whom it is composed," and "workingmen in asserting their right to combine are obliged, by the logic of their demands, to concede an equal right to employers."[4] Samuel Gompers expresses a similar view: "I want to see the organization of the wage-earners and the organization of the employers, through their respective representatives . . . discuss questions of wages, and hours of labor and things consistent with the industrial and commercial success of our country, and that shall tend to the uplifting of the human family." He adds, "We welcome their organization, but we ask them to follow the path of moderation and reason, the same that they demand of us as workingmen. When they assume a right for themselves, they cannot deny that same right to us. . . . To some extent they have grasped the idea of organization or association among themselves, but they fail to concede the necessity of organization among wage-earners."[5]

While not denying the employers' right to form associa-

[4] John Mitchell, *Organized Labor*, pp. 188, 192.
[5] Samuel Gompers, *Labor and the Employer*, pp. 41, 44, 45.

tions, trade unionists have criticized severely their practices. It is contended that employers act collectively themselves but deny a corresponding right to their employees; employ officials and managers who are not employers, and who, consequently, have no direct contact with the workers or knowledge of employment conditions; employ armed guards in strikes and lockouts who provoke and create violence; operate employment bureaus which, through the use of the card-record system, become agencies for blacklisting employees who are sympathetic with unionism; boycott union labor and the union label on goods; maintain spies to find out union activities, harass members, and provoke strikes; support groups of strike-breakers and thugs for use in industrial war; defend members in strikes and lockouts without a fair determination of the reasons for grievance; carry on campaigns for the so-called open shop, which in reality means a shop closed to union labor; use their connections with banks to secure the refunding of interest, and so hold members in times of strikes; and manipulate their advertising patronage as a means of controlling the press and suppressing the real facts underlying industrial strife.

The organized workers contend, moreover, that the members of employers' associations influence judges and officials through business contacts, thus jeopardizing the case of the workers, and even go so far as to influence trade union officials and members through bribes, promotions, and other inducements. The maintenance of legislative lobbies to defeat labor legislation, the tendency to maintain a high price under the pretense that labor costs are the responsible factor, and the failure to discipline members for breach of contracts and agreements with the unions are among the many other criticisms of these associations. Many of these offenses are denied by employers, and those admitted are defended on the grounds that they are legitimate practices and absolutely necessary as defensive measures against aggressive trade unions. Employers logically maintain, moreover, that those who use the strike, boycott, unfair list, union shop, walking

delegate, and labor lobbies, and refuse to be incorporated, have no adequate cause to condemn the counter-practices of associations of employers.

Economic and Social Justification.—Associations of employers and of employees are inevitable phases of industrial evolution; when managed constructively both are indispensable agencies of industrial peace. The complex structure of modern industry has made individual bargaining obsolete for both the employer and the worker. The growing power of unionism and its exercise of force upon defenseless individual employers necessitates collective action on the part of the employing group. The strike, boycott, picketing, limitation of output, closed shop, and restriction of apprentices have been in no small measure responsible for the introduction of the lockout, blacklist, labor bureau, company union, and the professional strike-breaker.

Militant associations of employers, no less than militant trade and industrial unions, are responsible for industrial conflict and the accentuation of class-consciousness; both types of associations are a social menace. Furthermore, in recent years employers' associations in the building trades in our great cities have been accused of acting in collusion with building trades' councils to introduce monopolistic control of price, thus injuring the public. Official investigations in New York and Chicago have resulted in the indictment of employers and trade union officials for unlawful conspiracy in restraint of trade.

Conclusions.—In order to gain public approval and confidence associations of employers must adopt a threefold policy. (1) Every effort must be made to prevent monopolistic control of prices, whether secured by the associated employers independently or acting in collusion with labor organizations. (2) Their activities with regard to industrial relations must be constructive rather than destructive, that is, they must recognize the necessity and justification of organization and collective bargaining on the part of the workers, and accord to the latter the same rights and privileges which they claim for themselves.

(3) They must recognize that industry, business, and commerce should be administered for public service and not for the aggrandizement of private interests; that production is a partnership in the management of which consumers and employees should have a voice. Functioning to these ends, employers' associations will become an institution fundamental to the maintenance of industrial peace and the promotion of social progress.

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CHAPTER XVIII

THE ADJUSTMENT OF INDUSTRIAL DISPUTES

Force Versus Law in Industry.—Strong organizations of employers and employees are indispensable to successful collective bargaining. The existence of powerful organizations, however, is not in itself a guaranty of industrial peace and fair play. Employers and employees have never been organized so strongly and efficiently in the United States as they are at present, and yet industrial unrest has never been more general. Armed for conflict, each side has been eager to test its own strength and the power of its opponent. The pendulum of advantage and victory swings first to the one camp and then to the other, and successes are exploited to the limit.

There is, however, a growing tendency on the part of enlightened associations of employers and employees to recognize the danger and waste of leaving the settlement of industrial controversies to the arbitrament of industrial warfare. In personal relations the jungle method of force has been largely superseded by legal adjustment based upon examination of the facts and conditions that are responsible for the difficulty, and even in international political relations progressive steps are being taken to abolish the barbarous practice of war. It is not too much to expect, therefore, that in industry the joint conference will replace the arbitrary exercise of force, and that law and order will supersede chaos and disorder. The trade agreement, conciliation, mediation, investigation, and arbitration are the methods generally used.

Definitions.—The *trade agreement* is a more or less formal arrangement under which the conditions of employment are governed by an agreement made between an employer or an association of employers and a union of employees. The agreement is made at a joint conference

and remains in force for a period of years. Trade agreements are moral rather than legal instruments, and the responsibility for their enforcement, therefore, is moral rather than legal. In this process of collective bargaining two distinct types of industrial differences may arise. (1) There are those differences that concern the interpretation of existing agreements. Although these differences may assume a serious nature, they are usually viewed as being of a minor character. (2) There are the more serious disputes that have to do with the terms to be included in the agreement which shall govern future employment relations. Trade agreements may fail or be abrogated either by employers or by employees, and it then becomes necessary to resort to conciliation, mediation, voluntary arbitration, compulsory investigation, or compulsory arbitration.

Confined to its strictest usage, the term *conciliation* refers to the settlement of industrial disputes either by direct conference between the employers and employees involved, or by joint boards representing them, without the assistance of outside agencies. When an outside person or body intervenes informally to bring together employers and employees in a joint conference for the purpose of settling their differences in a peaceable manner, the procedure is designated as *mediation*. The terms mediation and conciliation are often used interchangeably in the United States. The element of compulsion is absent from both methods. The conciliator or mediator has been aptly described as a confidential adviser. He is essentially an industrial diplomat. Whether the mediator be a private person, a government official, or a government board, care is generally taken not to impose the outside viewpoint upon either the management or the employees concerned in the dispute, but rather to find some mutually acceptable, though perhaps not always mutually satisfactory, basis for discussion and adjustment. The procedure is diplomatic rather than judicial; it is not to hear both sides and then determine the rights and wrongs of the situation, or to pass judgment and then enforce its decision, but

rather to suggest a conference and a basis of discussion and agreement between the disputants and pave the way for the resumption of friendly and peaceful relations. Conciliation and mediation cease if the intermediary seeks to influence the parties to the dispute by the threat of government interference or the pressure of public opinion.

In case the parties to an industrial controversy fail to effect an amicable settlement by themselves or with the assistance of a mediator, and agree to submit the questions at issue to an impartial umpire or board, the procedure is called *voluntary arbitration.* This method ordinarily involves mutual consent of the parties to submit the controversy to the adjudication of an impartial arbitrator; investigation of pertinent facts and conditions underlying the dispute; an agreement to refrain from stoppage of work during the investigation; formulation of an award and announcement of the decisions embodied therein; and the elimination of the strike, lockout, boycott, and other methods of industrial warfare during the term of the agreement as embodied in the award. Once they have formally agreed to refer their dispute to an arbitrator, both sides are morally bound to facilitate proceedings, but the acceptance of the award is purely voluntary, unless the initial agreement provides for compulsory acceptance and enforcement of the award. Usually, however, both sides are reluctant to bind themselves to accept the decisions of the arbitrator.

Where *compulsory investigation* is provided there is a state board of investigation and recommendation, which has power to collect all requisite information for an intelligent discussion of the controversy and the formulation of recommendations. Such a board may summon witnesses either upon request of the parties to the dispute acting independently or jointly, or upon its own initiative, but it does not possess legal powers to enforce its awards. Compulsory investigation usually involves prohibition of strikes and lockouts preceding the investigation, general publicity of the findings and recommendations of the board, voluntary acceptance of the award, and freedom

to engage in a strike or lockout upon rejection of the recommendations. The Canadian Industrial Disputes Act of 1907 and a similar law enacted in Colorado in 1915 have provisions designed to preclude strikes and lockouts. In the United States, however, many statutes provide for compulsory investigation without compelling postponement of strikes and lockouts during the investigation.

Compulsory arbitration takes place when the government, directly or indirectly, brings pressure to bear upon the parties to a dispute and compels them to submit their differences to an outside, impartial body for adjudication and award. Generally speaking, there are two forms of compulsory arbitration. If the government forces the disputants merely to submit their case to an impartial body and does not compel acceptance of the award, the method is known as *compulsory arbitration with voluntary award.* In case a law is enacted which compels both the submission of the case and the acceptance of the arbitrator's decision, the method is *compulsory arbitration with compulsory award.* Under both methods employers and employees are forced to submit their dispute to arbitration, to refrain from strikes and lockouts pending adjudication, and to produce facts and give testimony. The rendering of an award is compulsory. The only difference is the element of compulsion or volition in acceptance of the award. Usually public opinion is relied upon to force acceptance of the decision.

In addition to the foregoing terms, *primary arbitration* and *secondary arbitration* are sometimes used, the former referring to "the authoritative settlement by impartial arbiters of the terms of the employment contract itself," and the latter to "the adjudication of those minor disputes growing out of the interpretation of the existing contract." Primary arbitration is fundamentally judicial.

Laws and Activities of the Federal Government.—The numerous strikes that occurred in the United States during the decade of the eighties assumed such a serious aspect that President Cleveland, in a special message to

Congress in 1886, urged that immediate steps be taken to provide an effective agency for the adjustment of industrial controversies affecting interstate commerce. Legislation for this purpose has been embodied in a series of acts, beginning with the Act of 1888, and including the Erdman Act of 1898, the Newlands Act of 1913, section 8 of an act passed in 1913 which created the Department of Labor, and the Transportation Act of 1920. The law of 1888 provided initiatory action by the President of the United States for voluntary arbitration, compulsory investigation, and publicity of decisions in controversies affecting "railroad and other transportation companies" engaged in interstate traffic, and their employees. A board of arbitration consisting of three members, one each selected by the disputants and a third by these two members, was provided for, but their award was not binding upon the parties to the dispute. There was no application of this part of the act.

Under the terms of the Act of 1888, the President was given power to appoint two commissioners who, with the Commissioner of Labor, were to constitute a board of investigation to ascertain facts and conditions underlying industrial controversies that affected interstate commerce. An inquiry could be initiated in three ways: by the President on his own motion, upon application of one of the parties to the dispute, or upon request of the governor of the state directly concerned. The board could subpena witnesses and compel submission of evidence. Although the measure was in effect for practically ten years, there was no attempt to utilize its arbitration features, and only in one instance was the machinery of investigation set in motion.

In July, 1894, President Cleveland created a commission to investigate and report upon the serious strike of the employees in the Pullman car shops. The arbitration act of 1888 was repealed by the Erdman Act of 1898, which was a less drastic measure than would have resulted from compliance with the commission's recommendations. The act of 1898 made provision only for mediation and

arbitration, and not for investigation and publication of findings. The provisions of the new law were made applicable only to those classes of railroad employees actually engaged in train operation. The chairman of the Interstate Commerce Commission and the Commissioner of Labor were required, upon application by either party to a controversy, to extend their efforts with a view to securing an adjustment by mediation. A permanent board of conciliation was thus created. Mediation was dependent upon acceptance by both parties. The terms of agreements effected through mediation were not to be made public, except upon authorization by the parties to the dispute. In case mediation was unsuccessful, the mediators were to endeavor to induce the parties to submit their differences to arbitration. One arbitrator was to be selected by each party to the dispute, and the two thus chosen to select a third. The law required that: (1) Pending arbitration, the status obtaining prior to the controversy must be maintained; (2) the award shall be final and conclusive, unless appealed and set aside for error of law; (3) the parties to the dispute must abide by the award, which is enforceable in equity; (4) for a period of three months neither party shall cease work in protest of the award, except upon thirty days' written notice; and (5) the award shall continue in force for a period of one year and no new arbitration shall be extended on the same subject unless the provisions of the award are set aside upon appeal.

During the first eight and one-half years of its existence the Erdman Act was practically ineffective, there being only one attempt to utilize its provisions. Subsequent to 1906, however, it was frequently invoked and its application was decidedly successful. From the time of enactment in June, 1898, to 1912, there were forty-eight applications for mediation and arbitration under this law. Nineteen of these requests came from employers, thirteen from the employees, and sixteen were joint applications. The mediation provisions of the act were the more generally utilized.

In 1913 the Erdman Act gave way to the Newlands Act, which provides for a Commissioner of Mediation and Conciliation and the United States Board of Mediation and Conciliation. The board consists of the commissioner and two other government officials, all of whom are appointed by the President with the advice and consent of the Senate. The commissioner serves for seven years. In the event of a controversy to which the law applies, either party may appeal to the board whose duty it is to seek to adjust the dispute by mediation or, failing in this, to urge arbitration. In arbitration proceedings the board may be increased from three to six members. Each party to the dispute chooses two members, or one member, as the case may be, and these select the other one or two members. If there is a failure to agree on the third member or members, the Board of Mediation and Conciliation makes the selection. Upon consent of both parties to the controversy the board of arbitration may exercise powers of compulsory investigation. The award becomes operative in ten days after filing, unless exception is taken on a point of law. During the four years ending June 30, 1917, the services of the Board of Mediation and Conciliation were used in seventy-one cases, most of which were settled by mediation. The board failed to effect an agreement in the railroad dispute in 1916. The action of Congress in passing the Adamson law in September, 1916, was regarded as evidence of the failure of the Newlands Act. An eight-hour day, and the appointment of the Eight-Hour Commission to investigate the effects of the eight-hour day were embodied in the Adamson law. The railway brotherhoods which had refused voluntary arbitration prior to the enactment of this law again threatened to strike in March, 1917, because of the uncertain constitutionality of the new act and alleged evasions of its provisions by the railroads. The Board of Mediation and Conciliation was again unsuccessful, and a committee of the Council of National Defense was appointed by President Wilson to mediate.

Under the wartime federal control of railroads, which

began December 28, 1917, the Railroad Wage Commission was established by order of the Director General of Railroads in January, 1918, to investigate compensation of railway employees and to make recommendations. Later a Board of Railroad Wages and Working Conditions was created, to investigate problems of wages and other conditions of employment referred to it by the director. A Division of Labor was established in February, 1918. Three railway boards of adjustment were established later: "Board of Adjustment No. 1" considered all controversies involving conductors, engineers, trainmen, firemen, and enginemen; "Board of Adjustment No. 2" dealt with grievances affecting workers in mechanical departments; and "Board of Adjustment No. 3" had jurisdiction over cases involving telegraphers, switchmen, clerks, and maintenance-of-way men. The question of wage rates and hours was usually left to the Railroad Wage Commission, but matters of dispute arising from interpretation of wage agreements, not including matters passed upon by the commission, were decided by the adjustment boards. Personal grievances and controversies arising under interpretation of wage agreements, and all other disputes between management and employees which could not be adjusted by local subdivisions of the boards were submitted to the Director of the Division of Labor, who in turn referred the case to the appropriate railway adjustment board for consideration and award.

The railroads were returned to private ownership on March 1, 1920, under the authority of the Transportation Act, approved February 29, 1920, which also provided for railway boards of labor adjustment and a railroad labor board. The carriers and their employees are required to exert every effort to settle their difficulties in joint conference. Disputes involving only grievances, rules, or working conditions not adjusted in joint conference are considered by the railroad board of adjustment authorized to perform this service. Railroad boards of labor adjustment are created by agreement between any carrier, group of carriers, or the carriers as a whole, and

their employees. Controversies threatening an interruption of interstate commerce may be referred to these boards: (1) upon application by the carrier or organized workers involved; (2) upon written petition of no less than 100 unorganized employees; (3) upon motion of the adjustment board itself; or (4) upon request of the Railroad Labor Board.

The Railroad Labor Board constitutes a court of final appeal and adjustment in railroad labor disputes. It consists of nine members, with equal representation of employers, employees, and the public, all appointed by the President with the consent of the Senate. The representatives of employers and employees are chosen from not less than six persons nominated by each of these interests. During their term of office, which is five years, members of this board cannot hold stocks or bonds of any carrier nor be active members or officers of labor organizations. The board is empowered to hear disputes directly or on appeal from the adjustment boards. Its decisions are reached by majority vote, except that in controversies referred directly to it one of the representatives of the public must concur in the decision. Its decisions are not binding, but the board may determine whether its awards are complied with and publish its decisions. Wage and salary rates determined by the joint conference of carriers and employees may be suspended by the board if they are likely to necessitate readjustment in the rates of any roads, but a final affirmation or modification of the suspended rates must be made by the board. In making investigations the board may subpena witnesses and has access to records requisite to a complete inquiry. One of its first acts was to add $600,000,000 to the annual pay of railway workers, effective July 1, 1920. Its next wage decision, effective July 1, 1921, subtracted more than $300,000,000 of the increase. When the board entered the third year of its existence, on April 17, 1922, it had rendered wage decisions involving $1,000,000,000, and adjusted numerous grievances and disputes. Later in 1922 the board ordered wage reductions aggregating over

$134,000,000. Several serious strikes have occurred during the existence of the board. Railroad companies and railroad unions have often defied the board and disregarded its decisions, but the government has supported the board's actions. The Board of Mediation and Conciliation created by the Newlands Act is not abolished by the act of 1920, but its powers and duties are not extended to any dispute referred to any adjustment board or the labor board established under the new law.

The Act of March 4, 1913, creating a Department of Labor, provides that the Secretary of Labor shall have power to act as mediator and to appoint commissioners of conciliation in labor disputes, whenever, in his judgment, the interests of industrial peace may so require. The function of the mediation service of the Department of Labor is diplomatic rather than judicial. Its powers are in no sense mandatory nor is any disputant required to accept its good offices. Between 1913 and 1921 it considered nearly 5,000 cases of which more than 3,500, or 70 per cent, were adjusted.

The period of the World War was one of unprecedented industrial unrest, owing to the abnormal inflation of prices and the failure of wages to keep pace with the price level. The President's Mediation Commission was appointed in September, 1917, to investigate labor unrest in the western states, and to effect amicable adjustments. In a period of five weeks the commission disposed of two hundred and fifty disturbances and continued its efforts with equal success. Among the recommendations of the commission were: (1) guaranty of some form of collective bargaining; (2) creation of agencies for adjusting disputes; (3) adoption of the basic eight-hour day; (4) surrender of all practices conducive to limitation of output; and (5) a unified national labor administration.

The National War Labor Board (1918–1919) had its inception in the recommendations of the War Labor Conference Board, a body representing the public, employers, and employees. The National War Labor Board consisted of joint chairmen representing the public, chosen re-

spectively by national associations of employers and employees, and five representatives each of these two groups. The principles governing its adjustments included: abandonment of strikes and lockouts during the war; recognition of the right of both employers and employees to bargain collectively; adjustment of disputes by mediation and conciliation; creation of machinery for local adjustment of controversies whenever possible; provision of an umpire when the national board failed to effect a settlement; maintenance of maximum production; equal pay for equal work when women are employed at the same tasks as men; determination of wages, hours, and conditions of employment in accordance with the prevailing standards in the locality of the plant; and recognition of the right of all workers to a living wage. The board was nonstatutory in its character, and its decisions were not enforceable at law. Employers and employees were encouraged to make their own law and appoint their own judges. Although public opinion and patriotic motives were relied on to enforce its awards, there were only three occasions when they were not willingly accepted and applied. By the middle of February, 1919, the number of decisions announced totaled 198, involving 34 industries scattered over 35 states. The number of cases that had been docketed up to April 15, 1919, aggregated 1,244, only 33 of which had not been disposed of in some way. Other important attempts of the federal government to settle industrial disputes include the Anthracite Coal Strike Commission of 1902, the United States Bituminous Coal Commission of 1919–1920, and the Anthracite Coal Commission of 1920. A similar commission was suggested for the adjustment of the joint anthracite and bituminous coal strike in 1922, which involved between 500,000 and 600,000 miners.

State Legislation.—Convinced that controversies between employers and employees should be settled in a peaceable manner, the majority of American states have enacted legislation designed to carry out this purpose. In the decade of the eighties thirteen states passed laws

providing agencies of adjustment, and within the next ten years the total number increased to twenty-three. This early movement was started by the enactment of a law in Maryland in 1878, and in New Jersey in 1880. By 1915 no less than thirty-two states had placed upon their statute books laws dealing with conciliation and arbitration, and at the present time practically every state has enacted similar legislation. These various laws fall into four groups: (1) local arbitration, with temporary boards of adjustment; (2) permanent local, county, or district boards established by private parties; (3) mediation and arbitration by state commissioners of labor; and (4) special state boards or commissions of mediation and arbitration. The first two of these groups of laws have proved of little value in securing industrial peace, and the third type has been insufficiently successful to warrant its application in many states. By far the best work has been accomplished by state boards or commissions of mediation and arbitration.

Twenty or more states have permanent boards of mediation and arbitration. Direct representation of employers and employees is provided for in many of these statutes, appointment being vested in the governor, with the consent of the senate. In more than a score of states compulsory investigation is required, while in several others investigation is left to the discretion of the parties to the controversy. Considerable variation exists as to the conditions under which investigations may be initiated. In about a dozen states it is provided that the award shall be enforced when arbitration has been mutually agreed upon by the parties involved in the dispute. Punishment is provided in cases of contempt, and imprisonment for wilful disobedience of orders. Mediation and voluntary arbitration without coercive measures have proved successful in many jurisdictions. In about twenty states voluntary arbitration is conditioned upon an agreement to refrain from strikes and lockouts during the proceedings. The success of these laws has been appreciable in industrial states as New York, Ohio, Massachusetts, and

Illinois, while in other states little use has been made of statutory boards of mediation and arbitration on account of the fact that submissions may be had only upon consent of the parties directly involved. In Minnesota, for example, the law creating such a board was passed in 1895, but in only a few cases were its provisions applied until 1918.

No state statutes for the adjustment of industrial disputes have attracted more attention than the Colorado Industrial Commission Act of 1915 and the Kansas Court of Industrial Relations Act of 1920. The Colorado Act is modeled after the Canadian Industrial Disputes Act of 1907. Under the Colorado act it is unlawful for employers to declare or cause a lockout or for employees to go on strike prior to or during an investigation or arbitration of a dispute. Under the provisions of the law the Industrial Commission has power to compel a hearing on industrial controversies and to make an award. The award is not mandatory. Changes in the terms of employment, strikes, and lockouts are forbidden until thirty days' notice has been served and until after a hearing and an award, provided proceedings are begun within the period of the notice. The act applies to all employees except those in domestic service, agriculture, and establishments employing less than four hands. Although the requirement of thirty days' notice has been severely criticized, it affords an opportunity for conciliatory action. Informal conferences are provided for, but if these fail the Industrial Commission conducts formal hearings and makes awards. The commission reports that the results have amply justified the existence of the act. The law is recognized as a step towards industrial peace, but organized labor contends that on several occasions, notably in the reduction of miners' wages in 1921, such corporations as the Colorado Fuel and Iron Company have illegally changed conditions of employment and have been sustained by the state commission.

The Industrial Relations Court of Kansas, provided for in an act of the General Assembly in 1920, has attracted

general attention. The Court of Industrial Relations consists of three judges appointed by the governor, with the advice and consent of the senate, each to serve for a term of three years. The purpose of the court is to preserve the public peace; protect the public health; prevent industrial strife, disorder, and waste; secure regular and orderly conduct of businesses directly affecting the living of the people; and promote the general welfare. Although the court was given powers previously held by the State Public Utilities Commission, which it superseded, its most important provisions, for our purposes, have to do with the regulation of certain industries and occupations that are affected with a public interest. These industries include the manufacture of food products and clothing and processes connected therewith; the mining and production of fuel; transportation, and all public utilities and common carriers as defined by existing statutes of the state. Continuity and efficiency in the operation of these industries are deemed fundamental to the public welfare. In serious controversies the court may make an investigation on its own motion, or upon the complaint of either party to the dispute, of ten citizen taxpayers of the community involved, or of the attorney general of the state. Such an investigation may extend to the conditions of labor, wages, returns to capital, and the rights and welfare of the public. Future conditions of the industry are to be determined by the court, and an order may be issued making any necessary changes in conditions of work, living conditions, hours of labor, rules, and practices, or establishing a reasonable minimum wage or standard of wages. Appeal from its decisions may be had within ten days. If, after sixty days' compliance with the order, either party to the dispute finds it to be unjust, unreasonable, or impracticable, the aggrieved party may apply for a modification, whereupon the court is required to hold a hearing and make such modifications as seem necessary.

The Industrial Court may bring suit in the State Supreme Court to compel compliance with its orders. A fine not exceeding $100 or imprisonment not exceeding

one year, or both, may be imposed on persons willfully violating the provisions of the act or any valid order of the court, while a fine not exceeding $5,000 or imprisonment at hard labor not exceeding two years, or both, may be imposed on officers of corporations or labor unions guilty of violation. Alexander Howat and August Dorchy, miners' leaders, have been imprisoned under these provisions. The court may take over and operate industries or work affected by a dispute, in case production and operation are suspended, but a fair return to the owners and employees is guaranteed. The right to organize and bargain collectively is recognized under the law, but strikes, lockouts, picketing, boycotting, and other weapons of industrial warfare are prohibited. Employees are protected in their freedom to quit work individually in termination of a contract, and are safeguarded against discharge for appearing before the court with complaint. Employers and employees not in industries covered by the act may submit their disputes to the court. The establishment of a minimum wage for men is a new departure in this country.

The court's functions are administrative rather than judicial. In 1921 the legislature widened the scope of the act by abolishing the Industrial Welfare Commission and the Department of Labor as separate agencies, and consolidating these with the Court of Industrial Relations. The court is apparently burdened with too many functions. Industrial welfare, the numerous activities of the department of labor, regulation of public utilities, and arbitration are very comprehensive duties for one body to perform, and may result in the failure of this interesting experiment. The industrial court law has been declared constitutional by the State Supreme Court, but has yet to be ruled upon by the United States Supreme Court.

Opinion concerning the success of the court is divided and evidence is conflicting. Strikes have not been stopped, but there is reason to believe that their number has decreased. Permanent success of the law, however, is hardly probable unless the present opposition of organ-

ized labor and of certain employing groups diminishes. Following the enactment of the Kansas law, similar measures were introduced in several states, apparently without success. In Nebraska, however, a constitutional provision in 1920, authorizes the establishment of an agency similar in scope and power to the Kansas court.

Legislation in Other Countries. 1. *The United Kingdom.* —Many laws have been passed in Great Britain for the purpose of facilitating the settlement of industrial disputes. Early laws sought to maintain industrial peace by fixing wages and providing other adjustments. Later measures aimed more definitely at conciliation and arbitration. The Arbitration Act of 1824 authorized the appointment by justices of the peace of arbitrators in labor disputes, and gave them extensive arbitrary powers. The Lord St. Leonard's Act of 1867, which confirmed the act of 1824, provided for councils of conciliation and arbitration. The Arbitration Act of 1872 introduced more comprehensive machinery for the selection of arbitrators and arbitration boards, but did not change the arbitrary provisions of previous legislation. These attempts were not very effective. In 1896 the Conciliation Act was passed for the "prevention and settlement of trade disputes." Its most important feature was the authorization of the Board of Trade as a standing agency of mediation, whose services were rendered only upon application by either party to a dispute. In 1908 a permanent court of arbitration was added, and in 1911 a new body, known as the Industrial Council, was created. These measures definitely aimed to secure representation for employers, employees, and the public in the adjustment of disputes. Voluntary arbitration was the fundamental objective. Conciliation boards, consisting of representatives of employers' associations and labor organizations, were the chief agencies of adjustment in the industries of the country in the years following.

The normal position of the British government with regard to the adjustment of labor disputes is defined in the Industrial Courts Act of November 20, 1919, embody-

ing the recommendations of the committee on relations between employer and employed (the Whitley committee) on the subject of conciliation and arbitration. The law gives statutory effect to the government's declared policy of encouraging employers and employees to settle their own disputes rather than resort to government intervention. The interim court of arbitration established under the Wages (temporary regulation) Act of 1918, was so successful that it seemed advisable to form a permanent body to which industrial disputes could be referred for adjustment. The Industrial Courts Act of 1919 was the result. The main provisions of the act are: (1) A dispute shall not be referred to arbitration until the conciliation procedure existing in the trade is exhausted; (2) a permanent court of arbitration is established, consisting of persons appointed by the Minister of Labor for the purpose of settling trade disputes upon consent of both parties concerned; and (3) courts of inquiry are established, which shall make immediate investigation of any existing or apprehended dispute and give to the public an impartial report of its merits. In accordance with traditional British policy, arbitration under the act is purely voluntary. The machinery of arbitration is to be used in emergencies arising from the failure of employers and employees to adjust their differences. In deference to the wishes of organized labor no antistrike clause was inserted in the act, so that prevention rather than prohibitions of strikes is desired.

A court of inquiry may consist of one person or of a chairman and several persons appointed by the Minister of Labor. The court may call for all documents and compel the attendance of witnesses in securing information concerning a dispute, but it cannot publish information thus solicited "which is not available otherwise than through evidence given at the inquiry, except with the consent of the secretary of the trade union or of the person, firm, or company in question, nor shall any individual member of the court or any person concerned in the inquiry, without such consent, disclose any such informa-

tion." The personnel of the Industrial Court must consist of representatives of the public, employers, and employees, the length of office of its members being determined by the Minister of Labor. The court normally sits in London, but hearings may also take place in other industrial centers, and individual members may hear cases in less important localities where emergencies arise. The Ministry of Labor has been very successful in adjusting industrial controversies under the provisions of the Conciliation Act of 1896, the Coal Mines (minimum wage) Act of 1912, the Wages Acts of 1918 and 1919, the Restoration of Prewar Practices Act of 1919, and the Industrial Courts Act of 1919.

2. *Australasia.*—For many years Australasian countries have had a policy of adjusting labor controversies either by means of courts of arbitration or of wage boards. While wage boards were introduced primarily to eradicate the sweating system by prescribing minimum wage scales, they have promoted industrial peace. As in the United States, serious industrial strikes resulted in statutes designed to prevent cessations of work. The maritime strike of 1890 injured the industrial life of New Zealand because of the country's dependence upon uninterrupted maritime transportation. Strikes became so great an evil that New Zealand, in 1894, passed a compulsory arbitration act.

Under the authority of the New Zealand act of 1894 district boards of conciliation and a court of arbitration were created. The boards of conciliation comprise an equal number of representatives of employers and of employees, selected from persons nominated by registered unions of these two groups. Under the original provisions, an impartial chairman was chosen by these representatives, but since 1908 commissioners of conciliation, who are salaried officials, have been appointed. The commissioner in each district serves for three years; he receives petitions for adjustment and appoints advisers from persons of industrial experience nominated by employers and employees.

The Court of Arbitration of New Zealand, which has

jurisdiction over the entire colony, consists of three members appointed by the governor. One of these members is chosen from a list submitted by registered trade unions, one from nominations made by registered associations of employers, and the third, the president of the court, from the justices of the Supreme Court. Registration is purely voluntary. Strikes are illegal for registered unions, but not for unregistered unions. The machinery of conciliation or arbitration may be set in motion upon application of either party to the controversy. The Court of Arbitration possesses powers of compulsory investigation and may compel the attendance of witnesses, the submission of documentary evidence, and other information affecting the controversy. Awards may be made applicable to the entire industry. Competitive conditions in a given industry are thus equalized, and protection is afforded registered employers and employees from destructive competition by those who are not registered.

Unless unions cancel their registration, the decisions, agreements, and awards made under the act remain in force until superseded by new agreements or awards. The award continues for three years even though cancellation of registration takes place. Where unions have strong organization prior to the dispute the court usually gives preference to the unions, and an employer is required to discharge a nonunion man in favor of an unemployed union man. Although New Zealand has not achieved industrial peace, there is a general disposition on the part of all political parties, except socialists and syndicalists, to accept the principle of compulsory arbitration. Much difficulty is experienced in enforcing penalties for illegal strikes and lockouts, and nonregistered unions oppose the Court of Arbitration.

Other Australasian states have made definite provisions for the adjustment of industrial disputes. In 1896 Victoria passed a minimum wage law, which established wage boards for immediate adjustment of industrial grievances and determination of wage scales in low-paid industries. The right to strike is not denied, but the

machinery of adjustment works with such facility that strikes are infrequent. New South Wales passed a voluntary arbitration act in 1892 which was unsuccessful. In 1901 a compulsory arbitration law was enacted, authorizing a court of arbitration with extensive powers. Because the court did not function with sufficient facility, an act was passed in 1908 establishing a system of wage boards patterned after the Victorian plan, with provisions for appeal to a special court of arbitration. All strikes were declared illegal, fines were provided for violation and, later, imprisonment not exceeding twelve months. The strike movement was accelerated by these provisions, and in 1912 a new compulsory arbitration law was passed which discontinued the penalties and created conciliation boards for mine workers. Compulsory arbitration was adopted by Western Australia in 1902, by the Commonwealth of Australia in 1904, and by South Australia and Queensland in 1912. In general it may be said that the Australasian countries have recognized the fundamental principles of compulsory arbitration, but the evidence indicates a growing opposition on the part of labor organizations.

3. *Canada.*—The Canadian Industrial Disputes Act of 1907 applies to all public utilities and mines. The extended strike in the Alberta coal mines during 1906 was a prominent cause of the enactment of this statute. In the industries specified, it is unlawful for employers to lock out their workmen or for the employees to strike until the causes of the dispute have been investigated by a government board appointed for this purpose, and the findings of the board published. Following these proceedings either party may refuse to accept the findings and initiate a strike or lockout. Postponement rather than prohibition of strikes and lockouts is the purpose of the act. The act recognizes the right of the public to know why interruption occurs in basic industries.

Any change affecting hours and wages in the industries specified, whether upon demand of employers or employees, must be preceded by thirty days' notice. Either

party to a controversy which threatens to culminate in a strike or lockout may apply to the Dominion Department of Labor for a board of conciliation and investigation. Applications must be accompanied by statements setting forth the particulars of the controversy. Upon receipt of the application, the Minister of Labor appoints a board of three members, one nominated by the employers, one by the employees, and a chairman selected either by these two or, if they fail to agree, by the government. If either side fails to nominate its representative the Minister of Labor makes the selection. Informal conferences participated in by representatives of employers, employees, and the public have proved the most successful procedure in conducting investigations. Majority and minority reports, setting forth the conditions underlying the dispute and suggesting terms of settlement, are published by the government. If the terms are unacceptable, either party to the dispute may resort to ordinary methods of industrial warfare.

Fines are imposed for strikes and lockouts begun prior to the publication of the findings of the board of investigation. Fear of penalties seems to have had little influence in preventing violations. A study of its operation shows that "whatever success has attended the administration of the act has been due to the conciliatory efforts of the Department of Labor through its fair wage officers and its boards of conciliation and investigation; to the dislike for publicity rather than to the fear of fine or imprisonment; to the existence of a means of negotiation rather than a means of restriction."[1] During the period March 22, 1907, to December 31, 1916, there were eleven prosecutions and the aggregate of fines imposed, exclusive of costs, was $1,660. In the same period there were 204 illegal strikes and lockouts affecting 80,278 employees whose time loss was 3,015,844 days. If the minmum penalty of $10 a day for each striking employee had been imposed, the total fines would have amounted to $30,000,000, while if the maximum penalty of $50 had

[1] *Monthly Labor Review*, September, 1917, p. 11.

been imposed the total would have been in excess of $150,000,000. In 1911 the time loss due to strikes in Canada exceeded 2,000,000 working-days. In 1918 the number of strikes and lockouts was 196, the highest figure in a period of eighteen years; while in 1919 the number was 298, involving 138,988 persons and a time loss of approximately 4,000,000 working-days. The general strike in Winnipeg in 1919 involved over 40,000 persons and a time loss of 1,154,000 working-days. In the same year strikes in the coal mines of Alberta and southern British Columbia entailed a loss of 462,879 days. The loss to producers in Canada resulting from strikes in 1919 is estimated at $108,000,000. In 1920 there were 285 strikes and lockouts in mines and other industries.[2] It would seem, therefore, that the coercive features of the law have not been applied successfully, and that in effect the result has been voluntary conciliation. The law has been effective in railway disputes chiefly because railway employees appear to favor its provisions. Among the miners' and radical workers' organizations there is considerable opposition.

Advantages and Disadvantages of Mediation and Arbitration. — In no country have mediation, compulsory investigation, and arbitration been an unqualified success. Strikes and lockouts are still generally resorted to in industrial disputes. Such measures, however, have made a significant contribution to the movement for industrial peace. In Great Britain and the United States the most successful method of settlement has been found in conciliation and mediation. Compulsory investigation has achieved some desirable results in Canada and Colorado. It is not unlikely that compulsory investigation will increase in importance if serious industrial conflicts persist. The case for investigation, conciliation, and voluntary arbitration rests mainly on two facts: (1) These agencies eliminate the necessity of resort to methods of industrial warfare by substituting a system of judicial procedure and examination; and (2) they afford that measure of

[2] *Ibid.*, July, 1921, p. 24.

publicity which is an essential safeguard to those public interests so frequently unrecognized in joint conferences between employers and employees.

Compulsory arbitration rests upon more debatable grounds. It is commonly believed that compulsory arbitration functions chiefly in the interests of those who constitute the dominant economic and political power. In Australasian countries in which a strong labor party often is in active control of the government, and is always a powerful opposition when not actually in control, the machinery of compulsory arbitration is not so likely to prove disadvantageous to the workers as in countries where no labor party exists and political control is uncertain. In the United States there is no labor party to defend the special rights of industrial workers or to control the machinery of law to assure justice for them. Moreover, Australian workers have little or nothing to fear from immigration, since its chief source is the British Isles and the immigrants have standards of living comparable to those which prevail in the colonies. Experience with compulsory arbitration abroad, therefore, is no guaranty that similar methods will succeed in the United States.

Several important objections are urged against compulsory arbitration. (1) Compulsory arbitration deprives the workers of the only means they possess of making effective their collective action—the strike. "Strikes are the natural expression of the working people against injustice, against tyranny, against a deterioration in their condition."[3] It is objected that compulsory arbitration laws take away the right to strike but leave unrestricted the employers' right to discharge, thus giving the latter a marked advantage in bargaining power. (2) The prevention of strikes is practically impossible, since an individual cannot be forced to work against his will. New Zealand, Canada, Colorado, and Kansas have not been free from strikes. (3) The constitutionality of compul-

[3] Samuel Gompers, "Address on the Kansas Court of Industrial Relations," p. 18.

sory arbitration laws is uncertain. In basic industries directly affecting the public welfare and safety such laws would probably be sustained, but their general application is viewed as undue interference with the constitutional guaranty against involuntary servitude. The right to organize and to bargain collectively, as well as to enforce labor's demands with peaceful strikes and other methods, is generally recognized as valid, and any contravention of that right is difficult to justify. (4) The effect of compulsory arbitration is to weaken the power and threaten the permanence of labor organizations. Workers are for the most part a practical group. Organization is a means to an end; namely, the securing of higher wages, shorter hours, desirable conditions of work, and general improvement in the standard of life. Workers will not generally support a movement that is of no practical benefit to them. Reliance upon law rather than organization is likely to be the result of compulsory arbitration. "The only real effect is to weaken the power and effectiveness of trade unions; to make wage-earners dependent upon a political agency to carry industrial problems into politics."[4] (5) Compulsory arbitration delegates authority to an outside party who is unfamiliar with the conditions that cause the dispute, and frequently fails to appreciate the points at issue. The welfare of industry and the standard of life of the workers are issues too important to intrust entirely to a third party. (6) The decisions and awards of arbitrators are often influenced by favoritism and prejudice. Workers claim that arbitrators are almost invariably men of extremely conservative points of view, unable to understand the progressive demands of labor. Employers, on the other hand, complain that arbitration boards frequently manifest radicalism in granting the demands of labor.

Trade Agreements.—Trade agreements are entered into by some of the largest employers of labor and the strongest labor organizations. The railroad brotherhoods and other railway unions have agreements with the companies,

[4] Samuel Gompers, *Labor and the Employer*, p. 270.

and general respect for these instruments obtains because the railroad labor organizations have for a long time condemned the abrogation of agreements except on account of gross injustice or violation by the companies. About a half million coal miners have been included in the jointly determined agreements. In the central competitive field, for example, the annual conference of an equal number of delegates from the operators and miners constitutes an industrial parliament. Outside parties have no part either in these proceedings or in adjustment of grievances, but the conference is open to the public. After years of serious strife, a movement for industrial peace in the stove industry was originated in 1891. The Stove Founders' National Defense Association and the Iron Moulders' Union of North America entered into an agreement to govern industrial relations to mutual advantage. At the annual conferences representatives of both sides meet and discuss wages and other conditions of employment. Provision is made for the amicable settlement of disputes and differences. Strikes and lockouts are forbidden pending a decision by the joint committee on adjustment, which is composed of an equal number of representatives of employers and employees. Members of the employers' association who abrogate or violate the agreement are dropped from membership and the union may then initiate a strike against them, while members of the union violating the agreement are disciplined by the national organization. Comprehensive agreements have been concluded in the clothing industry, the printing industry and the building trades.

1. *The Clothing Industry.*—Beginning with the protocol of peace signed in 1910 between the Cloak, Suit, and Skirt Manufacturers' Protective Association and the Joint Board of the Cloak and Skirt Makers' Unions of New York City, and the Hart, Schaffner and Marx agreement in Chicago in the same year, trade agreements have become a common practice in the clothing industry of the United States. Prominent unions negotiating agreements with the various employers' associations include the

Amalgamated Clothing Workers, the United Garment Workers, the Ladies' Garment Workers, the Journeymen Tailors' Union, and the United Hatters. Probably more than 60 per cent of the approximately 600,000 workers in the various branches of this industry are represented in the agreements.

There are several types of agreements, varying considerably in extent of union recognition and in general provisions. The most prominent features include: (1) the introduction of the week-work system throughout the industry; (2) the preferential union shop; (3) the forty-four hour week; (4) a maximum overtime of ten hours per week and then only during busy seasons; (5) minimum weekly rates of wages; (6) time and a half for overtime work to operators, finishers, and piece tailors, and double time for overtime to other workers; (7) six and a half legal holidays a year (one half day on Election Day); (8) prohibition of homework, contracting, or subcontracting in outside shops; (9) registration of contractors; (10) provision for equal division of work during dull seasons and guaranty of a specified number of weeks of employment in a year; (11) prohibition of strikes and lockouts during the life of an agreement; (12) assumption of responsibility for contractors with regard to (*a*) employment of not less than ten operators per shop, (*b*) maintenance of all union and sanitary standards, and (*c*) wage payments in case of default. Provision is made for the peaceful joint adjustment of grievances by a trial board consisting of one representative from each side and an impartial person mutually satisfactory. Sometimes employers are required to deposit a certain sum in a banking institution mutually agreed upon, as a guaranty for the faithful performance of the agreement.

Some agreements, as those in New York City, provide for a Joint Board of Sanitary Control designed (1) to do away with the intolerable conditions existing in some of the shops by bringing to bear upon them the organized sentiment of both employers and employees, and (2) to raise the standard of sanitary requirements throughout

the entire industry. The board is made up of representatives of employers, employees, and the public.

The judicial machinery provided by trade agreements in the clothing industry is nowhere better illustrated than in the Hart, Schaffner and Marx plan in Chicago. An agreement governing joint relations was made first in 1910 with the United Garment Workers, affiliated with the American Federation of Labor, but at present the agreement is with the Amalgamated Clothing Workers of America, an independent organization. The plan is the result of recognition by the company of the close relation between a contented personnel and efficiency; it is expected that out of such an agreement "will issue such cooperation and goodwill between employers, foremen, union, and workers as will prevent misunderstanding and friction and make for good team work, good business, mutual advantage, and mutual respect."

Administration of the Hart, Schaffner and Marx agreement is vested in the Board of Arbitration and the Trade Board. The Board of Arbitration consists of three members, one chosen by the union, one by the company, and a third who is the mutual choice of these two. It is the duty of the board to investigate and to mediate all matters brought before it, and it has full and final jurisdiction over all matters arising under the agreement. When a grievance arises on the floor of the shop it is reported at once by the complainant to the union shop representative, who presents it without delay to the shop superintendent. These two try to make an adjustment, but in case they fail the matter is reported to the deputy. Deputies are chosen by employers and by employees to represent them in the execution of the terms of the agreement. Deputies work in coöperation with the Board of Arbitration and have power to investigate, mediate, and adjust complaints, and settlements made by them are legally binding upon their principals, unless reversed by the Trade Board. The Trade Board consists of eleven members, all of whom, except the chairman, are employees of the company. Five members are chosen by the company, and five by the

union, selected so as to give adequate representation to the various departments. The chairman is chosen by the Board of Arbitration to represent mutual interests of the parties. The Trade Board is the primary agency for adjusting grievances, and has original jurisdiction over issues and decisions arising under the agreement. It considers mainly fact and testimony, whereas the Board of Arbitration concerns itself chiefly with questions of principle and the application of the agreement to new issues as they arise. Decisions of the Trade Board are by a majority vote and are presented to both parties in writing. Appeal from these decisions may be had to the Board of Arbitration, which has final jurisdiction. This agreement has been applied very successfully, and the Amalgamated Clothing Workers have negotiated similar agreements with other manufacturers.

2. *The Printing Trades.*—A representative agreement in the printing industry is found in the international arbitration agreement between the International Typographical Union and the Closed Shop Division of the United Typothetae and Franklin Clubs of America, effective August 4, 1917, to December 31, 1926. This agreement covers all contracts with local unions. Employers are protected against walkouts, strikes, and boycotts, and against any other form of concerted interference with the regular operation of their business. In the event of a dispute working conditions are to remain unchanged pending conciliation or arbitration proceedings. All differences not adjusted by local arbitration are submitted to the chairman of the International Arbitration Committee of the Closed Shop Division and the president of the International Typographical Union. If these two cannot adjust the matter it goes to the International Board of Arbitration, which consists of three members of the Executive Council of the International Typographical Union and three members of the International Arbitration Committee of the Closed Shop Division. Failing to agree after two meetings, the board, by unanimous vote, is authorized to add a seventh member, who is to be a dis-

interested person. The award of the board is final and binding on all parties to the agreement.

3. *The Building Trades.*—A typical agreement in the building trades is the uniform agreement formulated in 1921, by the Joint Conference Board of the Building Construction Employers' Association and the Building Trades Council of Chicago. There are to be no strikes, lockouts, or other stoppage of work, and both parties agree to compel by lawful means compliance with the agreement, arbitration awards, and working rules jointly determined, and to suspend from membership in their respective organizations any persons who violate these instruments. The principles governing the actions of the Joint Arbitration Board include: (1) no limitation as to the amount of work a man shall perform during the working-day; (2) no restriction of the use of machinery, tools, or appliances; (3) no restriction of any raw materials or manufactured materials except prison-made; (4) no interference with workmen during working hours; (5) no prohibition of apprentices; (6) the foreman to be the agent of the employer; (7) workmen to be free to work for whomever they choose, under wage rates stipulated by the Joint Arbitration Board.

The Joint Conference Board meets in January of each year to organize the Joint Arbitration Board, which consists of an equal number of representatives of employers and employees. Persons not in the trade, or persons holding an elective or appointive public office cannot be members of the arbitration board. An umpire is also chosen jointly to act for the year. He must not be affiliated with the trade in any way and cannot hold an elective public office. Disputes and grievances between journeymen and employers are referred to the presidents of the two organizations which are parties to the agreement. If these persons fail to meet within forty-eight hours to adjust the difficulty, or if either party to the dispute is dissatisfied with their decision, the case is submitted to the Joint Arbitration Board. If this board is unable to agree the umpire sits with them, examines the

evidence, and casts the deciding vote. The arbitration board has power to summon members of the employers' association and the employees' organization as witnesses. A penalty of fine and suspension is provided for failure to appear. Expenses of the arbitration board are borne jointly. A fine of from $50 to $200 is imposed for violation of the agreement or working rules established by the Joint Arbitration Board. All fines assessed and collected are divided equally between the parties to the agreement at the close of the year. In case a quorum of the Joint Arbitration Board cannot be secured, the dispute is referred immediately to the Joint Conference Board, whose decisions are final and binding upon the parties. Appeal on all jurisdictional matters may be had to the National Board of Jurisdictional Awards, whose decisions are final. A preferential union shop is operated.

A National System of Adjustment Proposed.—To promote the spirit of friendliness and coöperation between the employers and employees of the United States and to formulate, if possible, a set of working principles and a program of action to this end, President Wilson, on September 3, 1919, issued a call for a National Industrial Conference to be participated in by representatives of employers, employees, and the public. The conference convened on October 6, in Washington. In the course of the proceedings the labor group became dissatisfied and withdrew, and the conference terminated on October 23, without accomplishing very much that was practical. The President soon called for a second conference, officially referred to as the President's Industrial Conference, which convened on December 1, 1919, in Washington. This congress published its final report on March 6, 1920, recommending joint organization of management and employees for the prevention of industrial disputes, and a comprehensive plan for adjusting such disputes.

The general plan proposed by the conference comprises a national industrial board, local regional conferences, and boards of inquiry whose functions are defined by geographical rather than industrial limits. The *Regional Ad-*

justment Conference, to which disputants may voluntarily submit their differences, shall consist of four representatives selected by the parties, and four others from the industry involved in the dispute, two of whom shall be chosen from a panel of twelve representatives of employers and two from a panel of twelve representatives of employees. The presiding officer of the board shall be a regional chairman appointed by the President to act as conciliator. In case of an unanimous agreement a collective bargain, having the same force as a trade agreement, shall be put into operation, but if an unanimous decision cannot be reached, the dispute shall be referred to the National Industrial Board, unless the parties prefer to submit the case to an umpire chosen by themselves. The umpire's decision shall have the same effect as the unanimous agreement of the Regional Adjustment Conference. Facts bearing on the dispute shall be submitted voluntarily by the parties concerned, and there shall be no interference with production pending adjustment.

The *Regional Board of Inquiry* shall consist of two employers chosen from the top of the panel of employers for the industry, and two employees selected from the top of the employees' panel for the craft involved, none of whom shall be parties to the dispute. The board shall be formed by the regional chairman when either or both of the parties to the dispute refuse to submit their differences voluntarily to the agencies of adjustment. Certain rights to subpena witnesses and records and to publish its findings as a guide to public opinion shall be given to the board. If both parties decide to submit the dispute to a Regional Adjustment Conference, such a body is automatically created by adding the representatives of the disputants to the Board of Inquiry.

The *National Industrial Board,* with headquarters at Washington, shall supervise and administer the plan. This board shall consist of nine members appointed by the President with the advice and consent of the Senate. Three of the members shall be chosen from representatives of industrial employers, three from representatives of

industrial employees, and three shall represent the public. One of the representatives of the public shall be chosen chairman by the President, and all shall be selected without regard to political affiliations.

Public utilities are brought within scope of the plan by the provision that in such cases the government agency delegated with power to regulate the service shall have two representatives in the Regional Adjustment Conference. The findings of the board shall be reported immediately to the rate-making body. The plan is also made applicable to public employees, but with significant modifications. In a dispute involving public employees, the Regional Adjustment Conference shall consist of two representatives from the legislative branch of the government authorized by law to make appropriations, two from the department employing the workers involved, two selected to represent the public service employees concerned, and two chosen by the employees' representatives from the first twelve names on the general panel. Whatever decisions are reached shall be submitted to the legislative branch concerned, as a basis for appropriations. There is no board of inquiry; all facts bearing on the controversy shall be obtained by the conference board, and there shall be no appeal to the National Industrial Board and no reference to an umpire.

The general plan provides no penalties other than those imposed by public opinion, and does not provide for compulsory arbitration. The right to strike is not denied. The question of the open or the closed shop shall not be submitted for arbitration, but shall be left to the arbitrament of each establishment as the local conditions may determine. The plan has not been applied, but deserves consideration.

Conclusions.—No method of settling labor controversies is generally applicable. In some countries compulsory arbitration is fairly effective, while in others conciliation and voluntary arbitration are more successful. Much depends upon the political power of the workers, their attitude towards the various methods of adjustment, the

reputation of the government, courts, and arbitrators for fair dealing, the attitude of employers towards collective agreements, and the intelligence of public opinion. Dissatisfaction with the decisions of third parties in industrial disputes in the United States has resulted in a strong movement for settlement of differences within the "industrial family" under the trade agreement or by means of shop committees and industrial councils. The trade agreement is the treaty of peace in industry, and experience with such compacts warrants the conclusion that they constitute the most effective agency for the promotion of industrial goodwill and the protection of the interests of employers and employees, where the bargaining power of each is relatively equal.

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CHAPTER XIX

SHOP COMMITTEES AND INDUSTRIAL COUNCILS

Political and Industrial Democracy.—The theory of political democracy has gained general acceptance in practically every country of the world. Political democracy is the product largely of the last few centuries, and it has achieved its greatest successes during the last half century. In a very real sense democracy is still an experiment, but the accomplishments of democratic rule have proved so beneficial for the mass of people that it is inconceivable that the world will ever revert to political autocracy.

Having secured democratic control of the machinery of government, men and women are beginning to divert their energies to the movement for industrial democracy. Industrial freedom is the inevitable sequence of political freedom. The mass of people who are politically free will not consent to remain in a status of industrial subordination. The natural human desire for freedom may be suppressed but it cannot be destroyed. "Just as benevolent despotism in politics has given way to a great democracy wherein the governed have every right of self-expression, so in industry we are now finding the old system being set aside. . . . Industry is becoming democratic."[1] Capital, management, labor, and the public are beginning to realize that democracy is as applicable to industry as to politics. Conceding the right to democratic industry, there remains the problem of evolving ways and means of achieving it, so as to safeguard the foundations of civilization. Numerous experiments are being made; these are the elemental processes of democratization of industrial relations.

[1] Cyrus H. McCormick, Jr., *Scientific American*, Feb. 7, 1920, p. 132.

The Nature of Shop Committees, Works Councils, and Industrial Councils.—Methods of promoting industrial democracy are so varied that no uniform and generally acceptable nomenclature exists. Distinctions are sufficiently apparent, however, to warrant a fairly acceptable definition of terms. The differences between shop committees, works councils, and industrial councils are indicated by the area of activity assigned to each form of organization. The "shop committee" is an organization consisting of representatives of the workers, or representatives of both the workers and the management, intrusted with the business of adjusting collectively the conditions and regulations of employment relations in a given department or shop in the works or plant. Its logical field of operation is, as the name implies, the shop and not the whole plant. The "works council" is a similarly constituted body whose field of action is not confined to the department or shop but includes the entire works or plant and may extend to a group of contiguous plants. In addition to the shop committee and works council it may be expedient to form representative bodies for a given industry in a certain limited geographical area. To such a body the term "district industrial council" is given. It may become necessary, moreover, to organize a representative body for the industry throughout the entire country; such a body is known as the "national industrial council." Each form of organization may be single, that is, employers and employees may have their own separate committees or councils and meet only occasionally in joint session for the purpose of adjusting difficulties and problems; or, a joint form of organization may be provided for in which representatives of workers and employers meet jointly in a common committee or council.

Reasons for Establishing Committees and Councils.—Many reasons have been assigned for the creation of shop committees and works councils by employers and employees. These motives are frequently selfish, but in many cases self-aggrandizement is tempered by sincere humani-

tarianism; in still other instances the motive is wholly benevolent.

1. *The Promotion of Industrial Efficiency.*—Many employers have discovered that there is a very intimate connection between employee participation in control of conditions of employment, on the one hand, and the increase of production, on the other. Men are much more likely to be interested in work if they are given a voice in the determination of the conditions under which the work is to be done.

2. *Satisfaction of the Workers' Desire for a Share in the Adjustment of Employment Relations.*—Employers have recognized the spirit that motivates the workers to secure control of industrial life, and, accepting this desire as a laudable one within certain limits, have extended to them an opportunity to have representation in the councils of industry.

3. *An Antidote for Industrial Unrest.*—The spread of industrial unrest during the last decade undoubtedly has had much to do with the initial impetus that was given to the movement for the democratization of industrial relations. Employee representation plans afford a channel of communication between management and men. In the absence of such a channel grievances and ill-feeling accumulate and serious consequences in the form of labor turnover, limitation of production, and walkouts are almost inevitable.

4. *An Agency of Education.*—Many employers have provided for joint negotiations and control because shop committees and works councils afford an opportunity for imparting to the employees important data on production, technical readjustments within the plant, and fundamental economic and social problems.

5. *The Promotion of Industrial Goodwill.*—Modern industrial relations are too often characterized by suspicion, fear, distrust, and class hatred. Shop committees and works councils provide an organized form of contact between employers and employees, which tends to result in a deeper appreciation of each other's problems and points

of view. Around the conference table representatives of workers and management gather periodically, and a spirit of intimacy, friendliness and confidence tends to develop.

6. *The Defeat of the Trade Union Movement.*—Many employers consciously introduce "company unions," shop committees, or works councils because they believe that such organizations preclude the necessity of trade union organization and independent collective bargaining on the part of their employees. The shop organizations are within the control of the company and little is feared from the union organizer. The employer enjoys the cherished status of running his business as he sees fit, without outside interference.

7. *The Realization of Humanitarianism.*—It has occurred to some employers that industry, as organized and controlled at present, affords little opportunity for that larger expression of self and development of individuality so essential to a desirable civilization. In the words of an American industrial leader: "Men are rapidly coming to see that human life is of infinitely greater value than material wealth; that the health, happiness and wellbeing of the individual, however humble, is not to be sacrificed to the selfish aggrandizement of the more fortunate or more powerful. Modern thought is placing less emphasis on material considerations. It is recognizing that the basis of national progress, whether industrial or social, is the health, efficiency, and spiritual development of the people."[2]

Historical Development.—The basic principles of shop or industrial representation are not new. The movement for employee representation in industry is coincident with the development of modern industrialism. The development of works committees and similar organizations designed to give the workers a voice in the control of conditions of employment is found in two important periods; namely, the long period of industrial development preceding the World War, and the period following the outbreak of that momentous struggle. In a very true sense

[2] John D. Rockefeller, Jr., *Representation in Industry*, p. 28.

works committees antedate trade unionism. Certain conditions incident to the development of modern industrialism made imperative the formation of workers' committees to deal with employers concerning employment relations. Among these conditions were the separation of the workers from the tools and machinery of production, the increasing complexity of the structure of industry, the development of minute specialization of tasks, the ever-widening breach between employers and employees, the constant scrapping of old methods and processes and the introduction of new devices and machines. To improve their conditions the workers dispatched delegations to remonstrate with the employer. These delegations or committees were often temporary bodies, and were not often successful, but they constituted the germ of the trade union movement. As trade unionism developed, a network of committees and agencies were evolved to safeguard the interest of the workers in the shop, mill, and mine. Thus we have "shop delegates," "works representatives," "shop stewards," "collectors," and "watch or vigilant committees." The "chapel" in the printing industry antedates the end of the seventeenth century. Determination of piece-work rates, standardization of tasks, and general enforcement of union rules and agreements are among the duties performed by the local, district, and national committees that have come into existence in the evolution of labor organizations.

It is in the conditions produced by the World War, however, that one must seek the causes of the growth of shop committees and works councils. The need for uninterrupted production during that crisis greatly accelerated the movement for collective dealing between employers and employees. Under the leadership of the government, or of their own volition, employers began to provide channels of communication between management and workers, and these channels took the form of shop committees, and works, district, and national councils. The growth of democratic tendencies among the employers of labor was surprisingly great, and the workers' instinct

for self-government in industry was given unprecedented expression.

Several American firms had devised schemes for the promotion of industrial democracy prior to the war, but the movement received its greatest impetus in the United Kingdom. The reports of the Reconstruction Committee Subcommittee on Relations between Employers and Employees (1917), commonly known as the "Whitley committee," and other investigating committees made clear the causes of industrial unrest and suggested possible remedies. The Whitley report attracted a great deal of attention at home and abroad. Urging the importance of continuing the spirit of coöperation that had been developed during the war, this committee suggested the establishment in each industry of industrial councils to represent both employers and employees. There was recommended a triple system of representation; namely, *National Joint Industrial Councils, District Industrial Councils,* and *Works Committees,* to cover any trade or industry to which such a scheme could be applied successfully. The committee was convinced that the best solution of the problem of industrial relations lies in the use of the power and machinery of associations of employers and organizations of workers. Both the structure and functions of the various councils and committees were to be sufficiently elastic to fit the needs of the different trades and industries. Permanent improvement seemed, to the committee, to be found in joint control of industry rather than in specialized schemes to furnish financial incentives. Upon the approval of the first report of the committee the idea gained wide acceptation, and soon the Industrial Councils Division of the Ministry of Labor was created for the purpose of giving assistance and information to those who desired to organize such councils and to secure data concerning the results achieved by the various plans.

Whereas the plans for industrial representation in Great Britain are closely coördinated with trade union organization, the movement in the United States has not depended

upon the existence and coöperation of trade unions, except in a few instances. For many years prior to the war, American employers sought to gain the confidence and loyalty of their workers by instituting or encouraging the workers themselves to organize clubs and associations for social purposes and the promotion of industrial betterment activities. It was not a far step from these associations to shop committees and councils designed to aid in the control of conditions of employment. There were also informal deputations of workers in many establishments, for the purpose of adjusting differences between employers and employees. Where trade unions were organized, grievance committees or wage committees were instituted in the individual establishments to deal with the management, and these often became the recognized channel of communication.

Between 1886 and 1914 numerous attempts were made to introduce shop committees and works councils in the United States. The first suggestion for a works council has been traced to an article on "The Shop Council," published by the Society for Political Education, in 1886. The council suggested provided for four members, two elected by the wage-earners and two by the management, with a chairman chosen by these four. This plan seems not to have been applied. In 1904 the Nernst Lamp Company of Pittsburgh introduced a "factory committee" consisting of representatives of the factory operatives, foremen, and clerical force, with the superintendent of the plant as chairman. In 1907 the Nelson Valve Company of Philadelphia established a scheme providing for an upper and a lower house, the former comprising foremen, and the latter, one representative from each shop. The Hart, Schaffner and Marx plan, discussed in a previous chapter, was adopted in 1910, and in 1913 the Packard Piano Company of Fort Wayne, Indiana, introduced a plan of industrial representation patterned after the federal government of the United States. Departmental shop committees were introduced by the White

Motor Company of Cleveland, Ohio, in 1914. Some of these earlier plans have been abandoned, while others have continued to function successfully.

In 1915 the Colorado Fuel and Iron Company, which had experienced serious strikes in 1913-1914, introduced the plan under which employees in each of the company's mining districts, by secret ballot elect representatives who act on their behalf in matters concerning sanitation, recreation, education, wages and employment. Many other concerns adopted similar plans in 1915, 1916, and 1917.

In 1917 the Shipbuilding Labor Adjustment Board and the President's Mediation Commission aided in the formation of shop committees in the shipping yards and the Arizona copper district, respectively. In the agreements which it provided in 1918, the United States Fuel Administration established employees' committees, and in the same year the United States Railroad Administration provided that disputes should be adjusted by a "general committee of the employees up to and including the chief operating officer." During the years 1918 and 1919 the National War Labor Board provided, in many of its awards, for the selection of employees' committees for the promotion of amicable industrial relations, thereby stimulating production. Throughout this period numerous firms voluntarily introduced plans for employee representation. In November, 1919, the United States Bureau of Labor Statistics reported 160 companies having some form of employee committees in operation. About the same time the National Industrial Conference Board stated that works councils were then in existence in 200 establishments employing 500,000 workers. Press dispatches in 1920 stated that over 300 such schemes were in operation in this country. In the period of depression following the war many plans were abandoned, but many new ones were introduced and in 1922 at least 725 plans are functioning successfully. The total number of experiments in this country, however, is relatively small in proportion to the number of industrial establishments.

The growth of the movement in the United States has been less rapid and less comprehensive than in Great Britain. Considerable progress has been made by employee representation plans in other countries, including France, Germany, and Austria. In Russia, the workers' councils or soviets are the fundamental institution in the bolshevik régime.

Types and Structure.—All works employee representation plans have a common feature: each is a representative body selected by and from the employees of the establishment. Differences obtain, however, in their organization and procedure. In some cases the structure and functions are simple and informal, while in others they are complex and formal. In some instances, moreover, the plans are more or less haphazard and there is no conscious attempt to adjust them to the requirements and conditions of the plant. In others the plan is nicely adjusted to the needs of the establishment.

Generally speaking, there are two dominant types of employee representation schemes in the United States; namely, (1) the "governmental" type, and (2) the "committee" type. The governmental type is patterned after the United States government. It provides for a cabinet, senate, and house of representatives, or, sometimes, for the two houses only. This plan, known also as the "Industrial Democracy" plan, is expounded most thoroughly by Mr. John Leitch in his book "Man to Man." Under this scheme the cabinet consists of the higher executives of the plant, the senate comprises the foremen, and the house consists of representatives elected by the employees. Elections are secret. In a modified form of this plan the senate and cabinet have been combined into a single body known as the "planning board." The senate and house meet separately and elect their own officers and standing committees to which are referred all prospective legislation. Bills must pass both houses and be approved by the executives. Either the cabinet or the senate, when these two are distinct, may initiate legislation by a message to the house. Representatives of the employees act

as councillors in their departments, receive and transmit all suggestions and complaints, and keep the other workers informed of the progress of legislation. Most plans of the governmental type have as an essential supplementary feature, a " collective economy dividend," which is a profit-sharing system. Savings in the cost of production are divided equally between the company and the employees. To avoid confusion with regular wages, employees are given their dividends at frequent intervals in separate envelopes marked "employee's dividend." In the Goodyear Tire and Rubber Company's governmental plan both the senate and the house are composed of representatives elected by the workers. Provision is also made for joint conferences, consisting of three members of the senate, three members of the house, and six representatives of the factory management, for the purpose of considering questions of joint interest.

The committee type sometimes consists of a single committee and sometimes of a group of committees performing specialized functions. These committees in their least developed form comprise only representatives of the workers, who confer with representatives of the management concerning employment problems. In their more developed form they are joint committees consisting of representatives of both employers and employees.

In addition to the foregoing types, there exists a miscellaneous group of committees and councils which do not conform to the general features enumerated or else embrace features that are common to both of the general types. Less complete and formal organization, for example, is found in small plants where contacts between employer and employees are more intimate and more easily maintained. There is the "company union," which is subsidiary to the employees' association, embracing all or a part of the working force in a given establishment; it may conform to the governmental or to the committee type. Finally, there are the shop stewards and trade union shop committees.

Constitution and Methods of Procedure.—From the

standpoint of their constitution, representative bodies of employees fall into two classes. The first are "single works councils," comprising the elected representatives of all the employees of an establishment. All questions and issues arising in employment relations are considered by this body, so that its functions are comprehensive and its authority coextensive with the plant. The second are those which consist not only of a central or general works council but also of a network of departmental, divisional, and shop committees, each representing only a part of the workers. Although the central single works council has been introduced in large establishments, it is found chiefly in smaller plants. The supplementary committee system predominates in relatively large establishments.

While there is no unanimity in the method of procedure of shop committees and works councils, sufficient uniformity exists to warrant a summary of essential features.

1. *Voting.*—Comparatively few plans prescribe qualifications for voting. Ordinarily any worker in the employ of the company at the time of election is entitled to vote. In some plans, however, it is prescribed that the right to vote shall be based upon a certain period of service with the company, ranging from one month to one year, the attainment of a certain age, frequently 18 years, and American citizenship or the possession of the first papers for naturalization.

2. *Qualifications of Employees' Representatives.*—Eligibility for the office of representative depends upon American citizenship or the possession of first naturalization papers, attainment of a certain age, usually 21 years, and a stated length of service with the company. A period of continuous service for one year preceding the time of election is usually required.

3. *Term of Office and Reëlection.*—The term of office is six months or one year. Representatives are eligible for reëlection, conditioned of course upon satisfactory service. Alternation in office is generally provided for so that some members of the committee or council are experienced, a condition which assures smooth operation of the plan.

4. *Referendum and Recall.*—Representatives of the workers are nearly always subject to recall on a two-thirds vote of the employees in their section, department, shop, or plant, depending upon the functional area of the representative body. Although a two-thirds vote is usually required for the recall of a representative, some plans provide for a majority vote.

5. *Methods of Election.*—Nominations and elections are by secret ballot with adequate provision for securing an impartial count. The method of election may be direct, or provision may be made for the double process of nomination and election. It is frequently required that elections shall take place on certain days, and that notices of election shall be posted a certain number of days preceding the election. The conduct of elections is entrusted to a committee or to a set of judges chosen for the purpose, either by the employees or jointly by the management and the workers. Some plans provide a recount of votes in case any irregularities are suspected. Special elections are provided for to fill vacancies.

6. *Meetings.*—Meetings are arranged at more or less regular intervals, in some plants as often as once a month, and provision is made for calling special meetings. In some cases meetings are held only when complaints or grievances arise. Where only employees' committees exist, the management delegates a representative to negotiate with these bodies, but he is not entitled to vote. Most of the plans provide for a general joint committee or conference committee representing both employers and employees, and for subcommittees either joint or of employees' representatives alone. The conference committee deals with questions appealed from subcommittees or it may deal with questions not taken up by the latter.

7. *Protection of Employees' Representatives Against Discrimination.* Employee representation plans often guarantee that there shall be no discrimination because of race, sex, political or religious affiliation, nor because of any action taken by the employees in their capacity as representatives. In some plans no provision is made against

discrimination because of affiliation with outside labor organizations, while in others, it is specified that "there shall be no discrimination by the company or by any of its employees on account of membership or nonmembership in any society, fraternity or union." Some plans specify "any *lawful* union, society or fraternity."

8. *Compensation of Representatives.*—In most plans it is specified that the company will bear all expenses necessary to the operation of the shop committee or works council, although where these committees or councils are subsidiary agents of labor organizations their expenses are borne by the union. When the meetings are held on company time the employees' representatives receive payment as if they were at their regular work. In some cases the workers' representatives are paid out of an assessment made upon employees. Often, expenses incurred in joint meetings are prorated between the company and the employees, each group defraying the expenses incurred by its own representatives.

Functions. 1. *Adjustment of Grievances.*—Where no shop committee system exists there is no organized communication between management and men which assures a square deal. Grievances arise because of autocratic and unjust treatment by foremen, who may be actuated by race prejudice, religious bias, or political antagonism; mistakes in wages or piece-work payments; or the inelastic interpretation and application of shop rules. Representation plans provide an organized contact between the working force and management, and machinery is established for the hearing and adjustment of grievances and disputes. This indeed is a major function of all such plans. Grievances are considered first by the workers' departmental representative and the foreman or the departmental committee. Cases not adjusted by these agencies are referred to the plant committee and, failing adjustment at this point, go to the board of arbitration or some other body.

2. *Regulation of Working Conditions.*—The term "working conditions" here includes such matters as accident prevention, sanitation, ventilation and hygiene. Shop commit-

tees and works councils, functioning through various subcommittees, perform remarkably constructive duties in the introduction of safety devices, the promotion of responsibility on the part of the workers to prevent accidents, the encouragement and maintenance of sanitary conditions, the provision and administration of medical attention, the control of lunch rooms and arrangement of meal hours, and the time for beginning and stopping work.

3. *Promotion of Factory Efficiency.*—Limitation of output and antagonism by the workers to the introduction of improved methods, processes, and machines have always been matters of serious concern to employers. Coöperative and constructive activities are undertaken by shop committees and works councils to reduce the waste in time, eliminate the losses incurred by profligate waste of materials and equipment and the careless handling of machines, reduce labor turnover, and help devise methods of stabilizing employment and increasing efficiency of production throughout the works. Here again the subcommittees perform good work. Suggestions are also made for the improvement of plant processes. Giving the men a part in these various activities leading to efficiency has removed much of the suspicion and antagonism which obtained when such matters were handled entirely by the management.

4. *Determination of the Terms of Employment.*—Whether the shop committee is connected with a labor union or functions independently, such questions as hours of work, wages, and piece rates, arrangements for holidays, schedule of shifts, night work, and overtime are under its control and administration. In fact these are the fundamental objects of collective bargaining. Industrial peace and goodwill are hardly possible where these matters are not the objects of collective agreement.

5. *Supervision of Living Conditions.*—In mines and plants situated in remote localities where the workers settle on company grounds, there is great need for the provision and proper supervision of housing and home conditions, coöperative buying, medical aid, community sanitation, transportation, educational facilities, church organization,

legal aid, financial advice, and Americanization. Workers' committees acting in coöperation with management are able to secure many desired improvements in the community life.

6. *Administration of Insurance, Pensions, Sick Benefits, Etc.*—Committees have charge of the administration of plant insurance, pensions, sick benefits, and profit-sharing schemes. Modern progressive personnel policies are recognizing the fact that industrial interest and goodwill are stimulated by giving the workers a voice with management in the planning, financing, and administering of these plant institutions.

7. *Control of Plant Discipline and Discharges.*—Only recently have employers begun to recognize the need for a scientific selection, placement, supervision, and maintenance of the working force. Such important matters as shop discipline; hiring, promotion and discharge; dilution of labor; regulation of apprenticeship; absenteeism and tardiness; and selection of foremen have been considered without regard to the wishes and reactions of the workers. Self-imposed discipline is more effective than discipline imposed from above. If the workers make or help to make shop rules concerning such matters as the restriction of smoking in the plant, tidiness, cleaning of machines, use of lavatories and cloak rooms, standards of behavior towards fellow workmen and executives, investigation of discharges, conditions of apprenticeship, transfers, and promotions, an extremely efficient administration of these matters is likely to result. In most establishments the appointment of foremen is retained by the management, although in a few cases, either directly or indirectly, the workers have a voice in their selection.

8. *Coöperation in the Promotion of Technical Training, Education, and Publicity.*—Corporations have become vitally interested in the improvement of the technical knowledge and general education of their employees. Such interest is the product of a conviction that there is a direct connection between knowledge and efficiency. Corporation schools are now common. Dissemination of knowledge con-

cerning production costs, selling costs, financial risks, and other matters tends to the promotion of better understanding between employers and employees. The plant magazine, lectures, moving pictures, and study classes are giving very desirable results under joint administration.

9. *Determination of Managerial and Business Policies.*—Thus far representation plans have not delegated to the workers a voice in the formulation and control of managerial and business policies. Only in very rare cases are the workers given representation on the board of directors. Complete democratization of industry, however, would mean that not only capital and management but also labor would have a voice in the financial and business policies of the enterprise.

Precautions Followed in Introducing Representation Plans.—It is now generally conceded that many shop committee systems have failed because necessary precautions have not been taken in the beginning. Although the plans have usually been conceived by the companies, they have been presented to the workers for a vote of acceptance or rejection. Some concerns have proceeded more cautiously, and have called in representatives of the workers to aid in the formulation of the system. This has tended to remove suspicion and develop a sense of responsibility at the outset. Preliminary education and publicity have been found necessary to acquaint the workers and executives with the nature and functions of the scheme, and the duties, responsibilities, and privileges which it provides. Attempts are made to adjust the plan to the needs and conditions of the plant. Employers have learned that wage-earners do not want charity but justice, and will react favorably to a fair proposal for participation in the control of industry. Behind such plans, therefore, there must be a sincere desire to give the workers a real voice in management and a willingness to accept the logical developments that follow.

Typical Plans in the United States.—1. *The International Harvester Company.*—This plan was adopted in practically all of the company's plants in 1919. Its pur-

pose is to promote mutual understanding and confidence. To this end there is a joint determination of policies relating to working conditions, health, safety, hours of labor, wages, recreation, education, and similar matters of mutual interest. At each works adopting the plan there is organized a "Works Council" composed of representatives of employees and of management, the number for each side being equal. One employee representative is provided for each two hundred to three hundred employees, the minimum number being not less than five. Foremen, assistant foremen, and other persons having power to hire and fire are not eligible to represent the workers. The procedure in nominations and elections is similar to that already described. A petition for recall requires the signatures of at least one-third of the employees in a voting division, and recall is decided by special election, a majority vote being necessary for removal from office. The manager of the department of industrial relations is the chairman of the works council. A tie vote in the council may be referred to the president of the company, who may propose a settlement or submit the case to the "General Council," consisting of two representatives from each plant as a minimum, or one member for each 1,000 employees, and an equal number of representatives of management. If this body fails to make an adjustment, the case is submitted to a single impartial arbitrator, provided the representatives of both sides can agree upon such a person; if no agreement can be reached in the selection of an arbitrator, employees' representatives choose one arbitrator and the president another, and these two a third. The decisions and rulings of the general council or the arbitration board are final and binding. Provisions are made by the company to pay the expenses incident to the operation of the scheme, and the plan may be terminated in any plant by a majority vote of employees concerned, or by the action of the board of directors. The company does not give the workers a voice in the determination of business policies.

2. *The B. Edmund David Company.*—This is a "federal" scheme. The house of representatives consists of

representatives of the workers who are elected in each department on the basis of one representative for every twenty employees. The heads of departments and foremen constitute the senate, while the cabinet consists of the highest officers of the company—president, treasurer, and general manager. Each body meets separately; the two former meeting weekly and the cabinet when necessary. Bills may be initiated either in the house or the senate or by the cabinet. To become a law a bill must pass both houses and be approved by the cabinet. Committees are created on ways and means, press and publicity, and appeals, with employee representatives in the majority. Grievances and disputes that cannot be adjusted by the representatives of both sides are submitted to the Board of Appeals, from the decisions of which a final appeal may be had to the cabinet. A semimonthly dividend, based upon improvements in production and economy, is provided. The two deficiencies in this plan are that management retains the veto power, and no provisions are made for joint deliberation.

3. *The Colorado Fuel and Iron Company.*—The "Colorado Plan" was inaugurated in 1915, after a period of unprecedented industrial strife in the company's mines and plants. District committees of workers' representatives are provided for the mines, and a divisional representative for every 150 employees in the steel plant. Management is represented by a special industrial representative who visits departments regularly, holds interviews with superintendents and the workers' representatives, and reports his findings to the company. About every four months a joint conference of representatives of management and employees is held, and once a year four joint committees are elected at these sessions. These committees are: (1) the committee on industrial coöperation and conciliation, which adjusts disputes, endeavors to maintain order and discipline, and considers conditions of employment; (2) the committee on safety and accidents; (3) the committee on sanitation, health, and housing; and (4) the committee on recreation and education. These committees report to the

joint conferences. If the Joint Committee on Industrial Coöperation and Conciliation cannot adjust a dispute or settle a grievance satisfactorily, it may select an umpire, and if this method fails, the case is submitted for investigation to the State Industrial Commission, or goes to arbitration. In case the parties cannot agree on a single arbitrator, a board of three is selected, one by the representatives of each side and the third by these two members; or both sides may consent to request the State Industrial Commission either to choose the arbitrators or to decide the controversy. In any case the decison is final and binding. The company surrenders none of its independence in the determination of general business policies.

4. *The Philadelphia Rapid Transit Company.*—In the reorganization of this company's policies in 1910, the cooperation of the employees was sought through the establishment of the Coöperative Welfare Association. Under the terms of this arrangement the company promised that 22 cents out of every dollar received in fares would be set aside in a fund to be used for the payment of wages to conductors and motormen, and that certain sick benefits, pensions, and insurance would be provided. The company recovered from its state of bankruptcy, continuous service was assured the public, wages practically doubled in seven years, and over $16,000,000 was spent in new equipment and improvements.

Under the supervision of the National War Labor Board, the company developed, in 1918, a collective bargaining plan, which is kept distinct from the coöperative welfare activities. There is no discrimination on account of union membership. Differences arising between management and employees are settled through the medium of (1) branch committees, (2) department committees, (3) general committees, and (4) a board of arbitration. The branch committee of the employees consists of two representatives from each division of the enterprise, and the branch committee of the management consists of two representatives of the company. These two committees meet in joint conference for consideration of problems of mutual interest. The

employees' department committees consist of the branch representatives in each department, as transportation, rolling stock and buildings, general offices, electrical, and ways departments. These committees are paralleled by departmental committees for management, with an equal number of representatives, appointed by the company. Each employees' department committee appoints two of its representatives to the employees' general committee, and management appoints an equal number of representatives to form its general committee. At stated intervals these two meet as the "Joint General Committee."

Local grievances are considered first by the branch committees, and if these cannot make a settlement the question is submitted to the departmental committees. Failing adjustment, the controversy is sent to the general committees, and if these fail the grievance is submitted to arbitration. The general committee for employees selects one arbitrator, the general committee for management another, and these two members a third. If these two cannot agree upon a third member, then the Provost of the University of Pennsylvania, the chairman of the Public Service Commission, and the President of the Chamber of Commerce are requested to serve as additional arbitrators. Failing an unanimous decision, the judgment of three of these five arbitrators is binding. Under the general provision of the plan there is joint consideration of wage scales, hours of work, profit-sharing, adjustment of grievances, promotion of efficiency, continuity of employment, improvement of working conditions, discipline and discharge, and the operation of the benefit plan. Management retains in its own hands such matters as the determination of standards of entrance to employment, transfers and promotions, technical training, and the formulation of financial and business policies.

Organized Labor's Objections to Company Unions.—Workers are convinced that shop committees, or "company unions" as they are called by trade unionists, are the creation of the employer and may be abandoned by him whenever they function against his interests or tend

to develop among the workers a strong desire for independent unionism and control. The 1919 convention of the American Federation of Labor passed a resolution expressing organized labor's objections to these plant systems of collective bargaining. These objections were: (1) *Unfair elections and representation.* True collective bargaining presupposes the unrestricted right of the workers to elect representatives free from the company's influence, but management, "through campaigns of intimidation and election fraud, load their company-union committees with bosses, usually to the point of a majority." (2) *No democratic organization permitted.* Collective bargaining is based fundamentally upon free speech, free assembly, and free association. Free and independent organization and meetings are impossible under plant representation plans, and this situation, it is contended, prevents aggressive action by the workers. (3) *Intimidation of committeemen.* It is further pointed out that companies ordinarily discharge in summary fashion those committeemen who dare to make a stand in behalf of the workers. "Being unorganized, the men are powerless to defend their representatives." Committees thus degenerate into tools of the company and become deaf to the interests of the workers. (4) *Expert assistance prohibited.* Employers safeguard their interests by employing the best brains available, and it is necessary for the workers to have experienced leaders to deal with these experts. Under company unions this is impossible because "all association with trade union officials is strictly prohibited." Thus the company reserves for itself a right which it denies to the workers. (5) *Company unions lack power.* The company union is viewed by organized labor as a useless institution in establishing effectively desired scales of wages, hours, and conditions of employment. Isolated from other groups of organized workers, lacking funds, supinely obedient to the company's dictation, the company union is unable to protect the interests of the workers. (6) *Company diverts aim.* It is contended that the company diverts the activities of the committees and councils from

the real objects of collective bargaining, such as wages, hours, and conditions, and directs them into such channels as safety-first movements, problems of efficiency, and benefit schemes. On the basis of these objections the A. F. of L. disapproves and condemns all such company unions and advises its membership to refrain from participation therein. The right of collective bargaining through trade unions is demanded.[3]

It should not be inferred from the above that American labor organizations are opposed to plant representation in principle. In its 1918 convention the American Federation of Labor went on record as favoring in all large permanent shops a regular arrangement whereby a committee of workers would meet regularly with the shop management to discuss matters of production and other questions, such a committee to carry beyond the foreman and superintendent, to the general manager or to the president, any important grievance which may arise over wages, hours, and conditions. But these committees must be founded upon the right of the workers to organize into trade or industrial unions and to bargain collectively without discrimination. In other words, shop committee systems functioning in conjunction with independent unionism are favored.[4]

The Success of Plant Representation Plans in the United States.—Experience with representation plans in the United States has been varied, but on the whole employers have reported rather favorable results. Investigations show that many of these plans have ceased to function, many others have functioned only to a limited extent, while a goodly number have continued to operate with unusual success. Generally speaking, employers have endorsed the representation systems. It is pointed out that with few exceptions the workers have chosen intelligent, fair-minded, and conservative representatives. In most cases the committees seem to have operated fairly and constructively. The schemes have been lauded as

[3] Proceedings of the Thirty-ninth Annual Convention, 1919, p. 302.
[4] Proceedings of the Thirty-eighth Annual Convention, 1918, pp. 85, 329, 330.

creating a feeling of mutual confidence, goodwill, cooperation, and loyalty. In some cases, however, unrest increased rather than diminished under these committee systems. On the whole, industrial unrest seems to have been less common and less serious where representation plans have been introduced in a proper spirit. Increased production, reduction of labor turnover, and improved methods of operation have resulted in some establishments. On the other hand, many employers condemn such schemes as a surrender of individualistic action in the control of industry and as a step toward socialism.

Industrial Councils.—In almost every advanced industrial country there is a definite movement for the establishment of industrial councils functioning in conjunction with organizations of labor. In general these plans have taken the form recommended by the Whitley Committee in England. National councils are organized to secure the largest possible measure of coöperation and joint action between employers and employees in matters pertaining to the development of the industry as a part of national life, and for the improvement of conditons of employment for all engaged in the industry in which the council is created. District councils consider questions referred to them by the national council, and take district action necessary to any agreemnt. They make recommendations to the national council, take action on questions referred to them by the shop or works committees, coöperate with the district councils for other industries, and adjust grievances and disputes not settled by the committees in the various shops, mills, or mines. The shop or works committees are giving the employees a wider interest and a greater responsibility in plant conditions. They help in determining the conditions under which men and women must work, enforce regulations and decisions made by the district and national councils, and strive to prevent friction and misunderstanding between management and the employees. Joint representation is provided for employers and employees, and, in some countries, the public is given representation.

In Great Britain joint industrial councils have been introduced successfully in the building, pottery, basket making, iron and steel wire, optical, and many other industries. Even city councils have adopted such plans. Early in 1919 the German government inaugurated a system of councils. The law provides that works councils (Betriebsarbeiterrat) are to be elected in all establishments employing 20 or more persons, whether manual workers or salaried employees. In establishments employing less than 20, but at least five persons, a single shop steward (Betriebsobmann), is elected. In addition to the general works council, each establishment is to have a workers' council (arbeiterrat) and a salaried employees' council (Angestelltenrat) to protect the interests of these two groups. A special law of 1921 gives the workers the right to information concerning the financial policies and status of the business, and delegates of works councils have a seat and a vote in boards of directors. The structure of the German plan is patterned after the English system to a large extent, and the functions of the various committees are similar to those of such committees in the United States and England.

In 1921, a governmental decree in France created a "Superior Labor Council," consisting of representatives of employers, employees, the consumers, and certain other interests, for the promotion of industrial harmony. In the United States the industrial council idea has gained ready acceptation, and for years such councils have existed in many important trades and industries. Notable among the recent experiments is the International Joint Conference Council of the Commercial and Periodical Branches of the Printing Industry, adopted in 1919, and the council system in the United States Post Office Department, in which councils have been provided by the welfare department for clerks, carriers, and other employees in the various post offices, and extended recently to include rural carriers and fourth-class postmasters.

Conclusions.—As the nineteenth century witnessed a struggle for the protection of the workers, the twentieth

century is ushering in a definite movement for larger control of industry by wage-earners. The demands for nationalization in many countries, such as the United States, Great Britain, Germany, and France are the articulate expression of a deepening desire on the part of the workers for this control. The introduction of shop committee systems does not necessarily imply true democratization of industry, since management has retained the veto power and does not permit the workers to share in the general control of the enterprise. It is difficult to determine the extent to which the workers desire the responsibilities of management; at times it appears that they wish merely to have a voice in the determination of wages, hours of work, the conditions of employment, and the adjustment of minor grievances. Signs are not lacking, however, that a fuller measure of control is desired and that a thorough democratization of industry is the ultimate goal. One thing is certain: We need, and must eventually achieve, a greater degree of democratic control than is at present afforded in many of our great industries.

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CHAPTER XX

PERSONNEL ADMINISTRATION

Scientific Management.—Production is the major function of industry and the basis of life; there can be no distribution and consumption of wealth where there is no production. No matter how ideal may be the theoretical system of distribution, it is valueless unless there is something to be distributed; Russian communists have demonstrated this truth in the failure of their great experiment. Lenin embraced scientific management as a fundamental step in the attempt to rescue Russian communism from disaster. Scientific management, as taught by Taylor, Gantt, Emerson, and other efficiency experts, endeavors to ascertain by means of accurate industrial analysis the conditions that underlie efficiency in production, and to formulate the scientific laws that govern industry. Empiricism and trial and error are to give place to scientific laws in industrial organization and operation. It is contended that production and distribution are governed by immutable natural laws which operate independently of human judgment. The conditions that underlie these laws can be discovered objectively; such discovery will protect the workers from speeding and exhaustion, introduce just treatment for individual workers, and increase the skill and efficiency of the working force. The scientific method of attaining these objectives is time and motion study. This study is not to be used merely to set the task and rate of efficiency, but to discover the reasonable amount of time it should take to perform a given task, with due regard to the material and human factors involved. The differential piece-rate method of industrial remuneration is accepted as most conducive to justice and output.

Scientific management has not accomplished the great results that its prophets claimed for it. This may be accounted for in several ways. (1) Almost insurmountable difficulty has been experienced in measuring accurately time and motion in their relation to objective tasks. Human beings are the variable factor in production and distribution, and it is practically impossible to predetermine their reactions. Men do not always work with the same speed and accuracy. Moreover, in the measurement of these objective facts human judgment is not infallible, and selfishness, prejudice, and favoritism have great influence. (2) Human ingenuity has not yet been successful in determining the relative specific productivity of the various agencies in production—land, labor, capital, and the enterpriser—so the just distribution claimed by scientific management is impossible. (3) Scientific management as applied in a great many establishments has been merely a ruse of the employer to speed up the workers, and has resulted in exhaustion and fatigue. (4) Scientific management has been undemocratic in purpose and administration. It substitutes the individual for the collective bargain, and weakens the competitive bargaining power of the individual workman. Moreover, the whole scheme originates with and is administered by the employer. (5) Scientific management has been justly criticized for its tendency to reduce the mass of industrial workers to the status of the semiskilled, since they constantly react in machine-like fashion under the direction of the stop watch. It seeks constantly to adjust the worker to the job, and never the job to the worker, results in monotonous specialization, and stifles self-expression. For these and other reasons organized labor has been unalterably opposed to Taylorism.

The Science of Personnel Administration.—The old scientific management failed because it was not founded upon a full appreciation of the importance of the human factor in industry. It was left for the new science of personnel management to discover and evaluate properly the human elements in production and distribution. Low

production is caused not merely by faulty organization and direction of materials and machines, but by unscientific management of men. Industrial managers have understood the mechanical and material forces of production, but are only just beginning to comprehend the fact that production is conditioned no less by physiological and psychological factors. Personnel administration has been defined as the "direction and coördination of human relations of any organization with a view to getting the maximum necessary production with a minimum of effort and friction, and with proper regard for the genuine well-being of the workers."[1] The new science of management, or human engineering in industry, is built on a full appreciation of the relationship that exists between maximum production, on the one hand, and the satisfaction of the basic instincts of self-preservation, self-expression, self-respect, loyalty, love of homemaking, worship, and play, on the other. Personnel supervision requires careful thought and sympathetic understanding; it is one thing to know machines, but distinctly another to know men. "Heretofore," says Mr. John D. Rockefeller, Jr., "the chief executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers. The time is rapidly coming, however, when the important qualification for such positions will be a man's ability to deal successfully and amicably with labor."[2]

For the performance of such a task many corporations have already created the personnel department, under the direction of a personnel or labor manager.

The Personnel Department and its Functions.—Progressive employers provide safe, healthful places of employment, machinery, tools, methods, and processes that conduce to rapid work of good quality, and reduce to a minimum the hazards to health and body; protection against contagious or communicable diseases; medical, surgical and dental services when no other agency pro-

[1] Tead and Metcalf, *Personnel Administration*, p. 2.
[2] *The Personal Relation in Industry*, p. 7.

vides them; medical and dental prophylaxis; competent, sympathetic supervision that recognizes both the physiological and the psychological elements in production; equipment designed to make a proper adjustment of the worker to the job, taking into account temperamental, physical, and industrial qualifications; special facilities for training new and inexperienced employees, and for preparing experienced workers for more responsible positions in the plant. Moreover, many progressive corporations provide proper nourishment at cost, or at least at a reasonable charge, during the working-day; time and facilities for rest and recreation, especially where work is heavy, monotonous, and likely to result in overexertion and fatigue; educational campaigns that acquaint the worker with methods of keeping well and avoiding injuries; opportunities for transfer and promotion, and improvement of technical knowledge; assistance in adjusting social and financial difficulties; disability funds, pensions, and group insurance; and instruction in the value of thrift, domesticity, morality, and sobriety. The varied activities incident to the execution of such a comprehensive program are entrusted to the various subdivisions of the personnel department; namely, employment, research, health, safety, welfare, education, and joint control. Educational methods are discussed in the following chapter, while joint control has already been considered in connection with shop committees.

Employment Policies and Methods.—No phase of industrial relations has commanded more attention recently than the problem of hiring and firing. Enormous waste is incurred by careless methods. It is now recognized by progressive concerns that intelligent selection of employees cannot be made at the factory gate, nor by foremen who are trained to get production but not to understand the selection and placement of men. The employment manager in modern industry is a specialist in choosing workers and in placing them after they have been selected. His office is attractive, and instead of having to stand in line at the factory gate, applicants now can

rest comfortably while waiting their turn for the confidential interview with the employment manager. The methods of labor recruitment are improved greatly in the up-to-date establishment. Promiscuous advertising for employees through the medium of the daily newspaper, private fee-charging agencies, labor scouting, and the "men wanted" sign bring to the plant a mass of workmen far in excess of the requirements of the plant and for the most part lacking the necessary qualifications for the jobs available. The well-managed employment office finds better sources of labor supply in the friends of present employees, public school or high school graduates, public employment offices, the headquarters of trade unions, and the community canvass.

Care is exercised to determine whether the applicants are fitted for the available positions; physical, mental, and moral qualifications, trade knowledge and skill, age, sex, nationality, and experience, are among the facts ascertained. Application blanks are filled out, and intelligence, trade, and special ability tests are used for rating the worker. A systematic attempt is made to introduce the worker to the foreman and fellow employees, and to explain the shop rules, practices, and conveniences, and the company's policy. These instructions are sometimes accompanied by a tour of the plant, all of which serves to dispense with the feeling of strangeness that so often accounts for labor turnover. Efforts are made to follow up the employee and to ascertain his progress. In this way mistakes in selection and placement are corrected and workers are shifted to the jobs they can fill best.

Job Analysis and Specification.—Proper selection and placement of employees are dependent upon accurate knowledge concerning the jobs that are to be filled. Such information is made available through job analysis and job specification. Job analysis examines the exact nature of the positions in the plant, to find out the conditions under which the jobs are done, and the physical, mental and moral requirements for their successful execution. The old scientific management made the mistake

of overemphasizing objective, material facts to the almost total exclusion of human considerations involved in the performance of the task. Job analysis avoids this mistake by studying not only the requirements of the job, but also its effect upon the physical and mental well-being of the worker and the relation of his qualifications to its performance. In other words, there is careful coordination of the human and the material elements that are to be applied in production. This promotes industrial efficiency, contentment, and goodwill. Misplacement of personnel results in discontent, inefficiency, and labor turnover. The job analysis furnishes information concerning the type of machine used in the performance of the work, the nature of the equipment to be handled, the availability of materials, necessary motions, posture of the body while at work, time element, quality of the product, the quantitative character of the output, remuneration, and the opportunities for advancement. These and other necessary data are listed in the job specification sheet and filed in the employment office.

Transfers and Promotions.—Advancement and promotion are an essential part of any successful personnel program, since the best type of workers will be reluctant to remain in any plant in the absence of opportunities for the improvement of their economic status. Continuous employment on one job becomes monotonous even to the most willing worker. The desire for variety is instinctive in every normal human being. Transferring an employee from one job to another relieves him of nervous tension and yields the double advantage of a greater volume of output for the employer and greater interest and mental stimulation for the employee. Restlessness, instability and inefficiency are evidences that transfer should be effected, but care should be exercised in making an adjustment between the worker and the new job.

Promotion is a more progressive form of transfer and consists not only of a change to a superior position but also of additional remuneration. Industrial experience

has shown that if the employees are afforded ample opportunity for advancement, present positions are likely to be less irksome and general efficiency of the workers increased. Transfer is sometimes used as a means of distributing the employee force where departmental needs are greatest. Recognizing the relation that exists between transfer and promotion, on the one hand, and a stabilized, coöperative, and efficient working force, on the other, progressive concerns have provided within the personnel department adequate means for effecting transfers and promotions at the proper time. The employment department assumes the responsibility for the collection of data regarding the opportunities for transfer and promotions within the various departments and for ascertaining the special qualifications and merits of individual workers. A safeguard is thereby provided against indiscriminate hiring and discharging of employees. Under this plan all responsibility rests with the personnel or employment department, the foremen participating only to the extent of making recommendations.

Grievances and Discharges.—Much of the unrest and friction in industrial relations develop from the fact that employers frequently disregard or fail to appreciate fully the complaints and grievances of employees. Charges of favoritism, discrimination, unfair treatment, mistakes in the pay envelope, and other complaints may seem trivial to the employer but very serious to the workers. The deaf ear that is often turned to complaining employees is largely responsible for the growth of a feeling of industrial injustice, suspicion, mistrust, and class hatred. Not infrequently men are discharged for causes that to them seem insignificant, and often the reasons for dismissal are not clear or not known at all. The absolute right to hire and fire in modern industry has been exercised autocratically, especially when delegated to foremen who, because of favoritism, differences in political and religious views, personal jealousy, or a feeling of superiority, discharge workers indiscriminately without even attempting to assign any cause or to justify the action to the worker. It

is not sufficient, therefore, for managers to refer complaints and grievances to the foremen. Some other agency of adjustment must be provided. Either the manager must provide regular hours for hearing such cases, or the responsibility must be placed upon the employment or personnel department. There is a growing tendency in Europe and the United States to delegate such matters to joint committees composed of representatives of management and employees. Whatever method may be introduced, it is commonly agreed that channels of communication between management and the workers should always be open. In no other way can even a semblance of democratic administration of industry be assured and industrial peace and goodwill be promoted. An efficient personnel department does much to make the worker feel that he is getting a square deal, and this is the genesis of successful industrial management. Without a contented personnel, productive efficiency is impossible.

In considering the problem of labor turnover and other evidences of a dissatisfied personnel, employers have discovered that a great deal of valuable information and interesting sidelights concerning their employment policies and supervision can be obtained. Provision is often made, therefore, for interviews with all employees who are leaving the service of the company, whether voluntarily or because of discharge. Only in this way is it possible to ascertain whether a worker has been justly or unjustly dismissed, to discover the causes of unrest among the working force, and to formulate successful employment methods. Such employees are not given their final pay until there has been an interview with the employment manager, or some other official representative other than the workers' immediate superior who ordered the discharge. More and more employers are being convinced that "it is just as good business policy to have employees who leave the firm go away thinking well of the company as it is to see that customers remain kindly disposed toward the company."[3] It is frequently found that de-

[3] Wm. M. Leiserson, *Monthly Labor Review*, October, 1919, p. 215.

sirable workmen leave because of dissatisfaction with the determination and methods of remuneration, hours of labor, and conditions of employment. To these matters the personnel department gives careful attention.

Health Measures for Employees.—Industrial medicine is "the theory and practice of medicine applied to the purpose of preventing and alleviating sickness and injury among industrial workers in order that they may enjoy the benefits of continuous productive employment."[4] It embraces almost every kind of medical practice, and is an important phase of the larger field of welfare work. Welfare work, as applied to industry, generally refers to any provision for the intellectual or social comfort and improvement of the workers, which is not a necessary part of industrial provisions nor required by legislation.

In order to safeguard the health of the workers progressive companies have introduced medical departments, with industrial surgeons and a staff of nurses and attendants, the functions of which are: (1) to conduct examinations of employees at the time of hiring and at such subsequent intervals as are deemed necessary; (2) to give immediate attention to industrial accidents; (3) to advise and examine employees in cases of sickness; (4) to formulate and supervise sanitary measures; and (5) to promote general health education among employees. The absence of such measures often means the loss of health or life to the workers and a heavy financial loss to the company.

Organized labor is inclined to oppose physical examinations on the ground that they deprive many persons of employment, infringe upon the worker's personal liberty, and may be used as a means of blacklisting and discriminating against members of trade unions. Moreover, it is contended that such information is of a professional nature and does not belong in a business or industrial establishment. It is likely that such abuses arise, but this is not sufficient reason for rejecting the constructive principle underlying such health measures. The employee

[4] U. S. Public Health Service, *Bulletin* No. 99, p. 5.

may benefit greatly from the initial and periodical examinations. He is informed of physical deficiences of which he may never have been aware; the expense of remedying these weaknesses is often shifted to the employer; he is given tasks for which he is physically fitted, thereby being protected from overstrain and fatigue; he has the assurance that he is measurably safeguarded against contagious disease; and he is made to feel his employer's interest in the welfare of the workers. Investigation has shown that only about 3 per cent of the applicants are rejected, while the other 97 per cent have benefited greatly by this constructive policy of progressive corporations.

Precautionary measures are taken not only in selecting employees, but also in safeguarding the physical welfare of the entire working force. Periodic rests during the day are provided to relieve the strain and to break the monotony of close, exacting work. Where employees are engaged in unusually heavy or nerve-trying work, shifts are arranged or transfers are provided, in order to rest the brain and muscles of the workers. Sometimes, light refreshments are served in the middle of the forenoon and afternoon, or brief periods of vigorous recreation are provided. Many concerns give their employees annual vacations, or, in case of illness, extended periods of rest on part- or full-time pay. Care is also taken to prevent sick or injured workers from returning to work prematurely. Stabilization of the working force and increased efficiency are among the results of these protective activities. The expense is not so great as many employers have imagined. The cost of conducting physical examinations is about one-third the total cost of running the medical or health department. A study of forty-one large factories having medical supervision showed that the total expense of all medical service, exclusive of compensation for injuries, was $1.88 per employee per year, about 62 cents of which in each case covered the cost of examination. In some establishments

the cost of examining employees amounts to about $1.00 per position per year.[5]

Comforts and Conveniences.—Health measures and physical comforts and conveniences are closely associated in industry. Facilities for promoting physical comfort for employees in mercantile and industrial establishments include good heating, lighting, and ventilating systems; cold and pure drinking water; washing-up, locker and dressing room equipment; lunch rooms and restaurants; and devices for ease at work or during pauses in the processes. Impure air, excessive heat and humidity, and extremes of temperature cause lassitude, headache, restlessness, and general discomfort among employees. Improper or inadequate lighting facilities cause headaches and other effects of eyestrain, increase the danger of accidents, and affect unfavorably both the quality and the quantity of output. Employers, recognizing the many dangers to health in impure water, provide pure water and clean drinking facilities. Either voluntarily or under the compulsion of law, many firms now install sufficient washing-up facilities, individual lockers, rest rooms and dressing rooms, especially for female employees. Clean, attractive lunch rooms, restaurants or cafeterias furnish wholesome food at reasonable prices in the up-to-date establishment. Even where there are no legal requirements, firms are now furnishing seats to provide relaxation while at work; this is especially beneficial for women employees who may be injured by prolonged standing. These improvements are wise economy; they increase efficiency.

The Safety-First Movement.—No phase of personnel administration has attracted so much attention and achieved greater results than the safety movement. It was not until 1906 that the first exhibit of safety devices and appliances in the United States was held, under the auspices of the New York Institute for Social Service. In

[5] W. I. Clark, *Physical Examination and Medical Supervision of Factory Employees*, p. 3.

the following year the American Museum of Safety was organized, and in 1912 a small body of engineers meeting in Milwaukee instituted the National Safety Council, with headquarters at Chicago, to carry on a general campaign against accidents. Ever since, this organization has assumed the leadership of the movement for "safety-first." Although it was ridiculed and greeted with "it can't be done," the council, within four years, included 1,400 representatives from 3,293 firms, employing over 4,500,000 workers. By 1922 there were 4,000 members, operating 8,000 industrial plants and employing more than 7,000,000 workers. The council is a coöperative, noncommercial, nonprofit-making organization, devoted to the prevention of both industrial and public accidents and the maintenance of the health of industrial workers throughout the country. It contends that at least 75 per cent of all accidental deaths and serious injuries in industry can be eliminated, at a saving of hundreds of millions of dollars in wages to the workers and in costs of production to management.[6]

The United States has taken the lead for safety in industry, and some remarkable achievements have been recorded by industrial concerns in this country. Every accident indicates the presence of defective materials, machines, or men, or, more commonly, a combination of deficiencies in all these productive factors. American experience suggests that many of these accidents are preventable. Prevention is the combined task of the safety engineer, who is now an essential part of the personnel of progressive corporations, the whole executive force, and the workers. It has been estimated that 65 per cent of accidental deaths in industry are preventable by proper safety methods; 24 per cent by necessary precaution on the part of the workers; while 11 per cent are the unavoidable risks of the trade.

The experience of the United States Steel Corporation shows that the serious and fatal accidents in its plants are now only about one-half what they were in 1906,

[6] National Safety Council, *Saving Men and Money*, pp. 1-3.

and that between that year and 1920 approximately 26,000 men were saved from serious or fatal injury. The total number of disabling accidents—those that cause loss of time of more than the balance of the working turn—have been reduced in some instances fully 97 per cent. Within eight years $36,000,000 was spent for sanitation, safety, and welfare. Up to 1920 more than $10,000,000 had been spent in providing safeguards and correcting conditions responsible for accidents. These expenditures were considered among the best investments ever made by the company. Up to September, 1920, more than 35,000 employees had served on safety committees, and at that time more than 7,000 were performing these duties, in addition to 117 safety engineers and supervisors who devote their entire time to accident prevention and improvement of conditions of work. The Illinois Steel Company, the International Harvester Company, the Raritan Copper Company, and many others have reported a reduction of over 80 per cent in accidents, while the Bethlehem Steel and other companies have reported a 65 per cent reduction, through the introduction of safety departments.

Many years of experience with safety-first movements in this country indicate that 45 per cent of the results in reducing accidents have been obtained through effective organization, including a proper attitude on the part of management and officials, safety committees, and inspection by workmen; 30 per cent through educational methods, such as instruction of employees, prizes, signs and bulletins, and lectures; and 25 per cent by safeguards, including safety devices built about machines, proper lighting systems, and cleanliness. Workers' safety committees meet at frequent intervals, make inspections of the plant at stated periods, and submit suggestions for improvements. The Chicago Northwestern Railroad Company found that during the first three years of its organized safety work the employees' committee had reported 6,000 points of danger; that 87 per cent of their recommendations were practical and had been adopted.

Organized safety work yields benefits to the employer as well as to the employees. Such work keeps the organization intact, thereby increasing production and reducing manufacturing costs; it avoids the losses incurred in breaking in new employees to take the place of injured ones; it saves medical fees and compensation awards; and it conduces to more harmonious industrial relations by giving the workers a part in industrial management and assuring them of the employers' interest in their welfare. A study of a large number of concerns indicates that the compensation costs for companies having no organized safety movement are from four to five hundred per cent greater than for concerns having such a movement. The benefits accruing to the workers cannot be measured in dollars and cents.

Recreation.—Employers have been reluctant to assume direction of the leisure-time activities of their employees, because this step, even more than other phases of personnel and welfare work, is open to the charge of paternalism. Such action has been taken by many companies, however, in the belief that a constructive work can be accomplished, especially in outlying mining camps and other industrial districts in which recreational facilities are not very accessible or do not exist. Experience has shown that provisions for recreation succeed best under the direction of employees, and where the workers themselves have taken the initiative in introducing them. Sometimes the expense of maintaining recreational facilities is borne by the employers or by the employees independently, but joint financial responsibility and control have proved most successful. Provisions are made for: (1) indoor recreation, including rest rooms, recreation rooms, and club-houses or club-rooms; and (2) outdoor recreation, consisting of country clubs, summer camps, recreation parks, athletic fields, roof gardens, and outings and picnics for employees. The nature of the equipment and the methods of administration of recreational systems vary greatly with the locality and the size of the establishment. In communities where public provision for

such activities is limited or does not exist, such as mining communities removed from the larger centers of population, the industrial firm feels obligated to provide such opportunities. This is true, for instance, of the mining districts of Colorado, where the Colorado Fuel and Iron Company has maintained for many years very comprehensive schemes of industrial welfare.

In providing quiet rooms, attractively furnished and equipped with literature, employers find the tendency to temporary nervous breakdown and exhaustion is materially decreased. Recreation rooms where employees may enjoy themselves during the noon hour are also beneficial. Such rooms are equipped with a victrola or pianola, books, magazines, newspapers, music sheets, games, et cetera. Special rooms are set aside for those who wish to read, and for those who prefer to play games or smoke. Many companies, as the Illinois Steel Company, have for years provided club-houses for employees, in which libraries and athletic equipment are installed. These are often jointly managed. In most cases dues are paid by members, the amount ranging from 50 cents up to $25 a year, the average fee being about $3.50. Membership is open either to all employees or to those who have affiliated with the benefit association of the plant. The industrial branch of the Y. M. C. A. often furnishes club-house facilities, and sometimes the company establishes community centers. Dramatics, social gatherings, lectures, musicals, and numerous indoor activities are carried on in these institutions. Country clubs, summer camps, recreation parks, athletic fields, and outings have made possible the accomplishment of very constructive work among those employees who wish for outdoor recreation at a reasonable cost. Track meets, baseball games, and other contests between the various departments of the plant or between employees of several establishments have developed a desirable morale among the workers. Outdoor sports have not, however, been so popular as the indoor recreation because many workers are too tired to participate in them after a day's work. The latter facili-

ties, therefore, are considered more important as a means of creating a spirit of loyalty and goodwill and brightening the lives of the workers.

Economic Betterment Plans.—Recent years have witnessed an unprecedented growth of activities in industry, both in Europe and in the United States, which are designed to improve the economic status of the workers. Such activities include disability funds, pensions, group insurance, and plans that encourage thrift. The mutual benefit association has been widely introduced in American industries, although the movement is comparatively younger here than in other countries. The object of such an association is "to foster a fraternal spirit among its membership, to afford relief to its members for disability through sickness or accident, and to provide benefits in case of death." These associations are usually managed jointly by employers and employees. The initiation fee varies, but is ordinarily one dollar. In addition, a physical examination is required. Sometimes membership is required of all employees, but generally it is optional. The period of membership required before participants are permitted to share in benefits varies greatly; in some cases benefits are paid immediately, in others after a period of from five days to six months. The membership period is usually longer for death benefits than for sickness or accident benefits. To prevent malingering, sickness benefits are not paid for the first week, unless the illness extends to three or four weeks or longer. The waiting period for accidents is less, because they are ascertained immediately. Disability benefits vary according to the length of service. Membership ceases when the worker leaves the service of the company.

Pension plans have been introduced in a large number of industrial establishments, although the development of this movement is comparatively recent in America. Most existing plans have been established since 1910. The movement is the result of a growing conviction that such schemes stabilize the working force, and that employees who have served the company for a considerable length

of time are justly entitled to a pension in their declining years. Eligibility is based on length of service, retirement of the oldest employees taking place first. Usually, retirement takes place at 60 or 65 years of age, and the minimum amount of pension is ordinarily between $18 and $20 a month, though in some cases it is as low as $2 or $3 a month. The total amount of pension is computed uniformly at a certain percentage of the employee's earnings for a given number of years, the percentage increasing with the number of years. Some companies grant pensions purely on the merits of particular cases, but this is viewed by employees as paternalistic. Although the amount of the pension is fairly liberal, the movement has not been strikingly successful on account of the fact that there is a marked element of uncertainty. Pension agreements are in no sense contracts, so there is nothing but a moral obligation to pay; the agreement terminates with separation from the company's service; and freedom from discharge is in no way guaranteed by the length of service. On account of union activities or some other action opposed by the employer, an employee, after years of service, may find himself deprived of a pension. Moreover, there is always the danger of the company's dissolution.

Where workers are not earning enough to insure themselves adequately, the group insurance scheme has been introduced by many firms. Such a plan appeals to a large number of workers because of the feeling of security which results therefrom. Insurance companies have found it possible to give a blanket policy at reduced rates to industrial firms because: (1) The expense of physical examination is spared them, and (2) the risk is not great where favorable factory conditions exist. Most companies pay all of such insurance, although provisions vary. If the worker leaves the company's employ he is often given an opportunity to continue his insurance at the regular rate specified by the insurance company. Insurance benefits vary, but it is desirable that they be the equivalent of one year's salary or wages up to a certain maximum, and be paid in installments.

Other economic betterment schemes are those devised to encourage thrift and economy among the employees. They include savings and loan plans, stock subscription on favorable terms, building funds, coöperative buying, discounts on purchases, legal aid and advice with regard to investments or expenditures, and profit-sharing. Considerable variety exists in these plans, but their general principles are similar. Christmas or vacation funds are started with trust companies, which draw, in addition to the bank's 3 per cent, an additional 3 per cent interest given by the company. Sometimes the company deposits an amount equivalent to a part or the whole of the deposits of the employee. A certain period of service is often a condition of participation. Provisions for withdrawal vary. When the employee leaves the firm's service he is usually paid what he deposits, while in the case of death the total amount is given his legal representatives. Building funds are designed either to aid employees in the construction or purchase of homes, or to tide them over financial stringency occasioned by illness or some other exigency. They are provided to rescue the workers from loan sharks who charge exorbitant interest rates. The home-building plan of the Midvale Steel and Ordnance Company and subsidiary companies is typical. The employee is required to provide in cash, government securities, or its equivalent in real estate, at least 10 per cent of the total value of the property when completed. Securities purchased through the company are accepted at par, otherwise at the current market rate. The remaining 90 per cent is loaned by the company, no loan being in excess of $8,000. The loan is repayable in monthly installments, and is deducted from wages. Interest of 5 per cent per annum is charged upon deferred payments.

Coöperative buying was generally introduced following the rise of prices which began in the late summer of 1915. Goods are sold to employees at cost plus overhead charges, or at greatly reduced prices. Considerable discounts are given on the purchases made by employees in department stores in the United States. As an encourage-

ment to thrift, employers provide for gratis distribution of stock, or for stock subscription at favorable rates on the easy-payment plan. Stock subscription is becoming quite popular among American concerns and has been highly successful as a means of promoting loyalty and coöperation, as well as encouraging the habit of saving. Legal aid to employees desiring to make investments, or who are in some difficulty, has proved very beneficial to workers, and has stimulated the feeling that the company is vitally interested in the welfare and protection of its working force. Employers are loud in their praise of these various economic betterment activities, claiming that they develop a spirit of coöperation, steadiness, thrift, and responsibility.

Other Welfare Service.—The extension of betterment activities to include the families of employees is another phase of the welfare work of some companies. Moreover, it is an extremely delicate phase, since workers resent any semblance of charity or philanthropy and seeming interference with personal affairs. Consequently, this work is usually delegated to a third agency, such as the local Y. W. C. A. or Y. M. C. A., a visiting nurse, a community center, settlement house, or welfare worker, apparently working independently but actually in the company's service. Notable work along this line has been done by steel companies, mining companies, southern cotton mills, and other concerns which employ thousands of workers and often face the necessity of providing homes, parks, playgrounds, churches, theaters, schools, libraries, and general supervision of living conditions. This work is accepted as an obligation growing out of industrial operations. Where company homes are rented, strict supervision is maintained so that bath tubs shall not be used for coal bins, fences for firewood, and rooms overcrowded with lodgers. Other problems arise in the collection and disposal of garbage, bacteriological analysis of drinking water, and the provision of a supply of pure milk. A visiting nurse or welfare worker visits the homes of the employees, caring for the sick, giving instruction

in the care of children, and advising housewives on family budgets, food preparation, and dress making. These activities have yielded notable benefits in backward communities.

Administration.—The administration of personnel relations varies greatly with the different establishments that have taken definite steps in this direction. The type of organization provided to handle personnel problems will necessarily have to be sufficently elastic to meet the peculiar problems of each plant. Moreover, experience shows that the structure and functions of such an organization can best be determined after there has been a scientific analysis of labor relations within the establishment, and a definite personnel policy has been formulated. It is fundamentally important that the machinery of personnel administration be centralized. The great need is for a definite agency in industry that will analyze impartially and administer sympathetically the relations of employer and employees. The rights, responsibilities, and duties of all parties to the labor contract must be clearly set forth and appreciated, if industrial peace and goodwill are to be guaranteed. Where the establishment is small, there is hardly need for a separate personnel department, the functions of such a department being exercised by the manager or superintendent. Even in larger enterprises it has been found wise for the vice-president or some other major executive to supervise personnel work, but in exceedingly large establishments a separate department becomes necessary.

A welfare department is usually established first to assume charge of betterment activities, but this develops into a larger organization known as the employment department, having control over labor supply, recruiting, selecting, placing, transferring, promoting of employees, et cetera. The welfare department becomes a division of this larger organization and supervises mutual aid, sick benefits, loans, home visiting, social, and other activities. Gradually there evolves a more specialized and centralized organization known as the personnel department, the sub-

divisions of which, together with their particular functions, have already been indicated.

It is generally agreed that four conditions are necessary for successful personnel administration; namely, (1) a definite personnel department with major administrative powers, placed on a parity with other departments of the plant; (2) a capable personnel manager or director, possessing a strong and pleasing personality; general industrial, executive, and shop experience; and familiarity with organized social and industrial movements; (3) coördination of the work of the personnel department with the activities of other departments such as production, finance, and sales departments; and (4) the introduction, wherever possible, of joint administration by representatives of management and employees.

Personnel administration was given intelligent sanction in 1918, when the National Association of Employment Managers was organized at Rochester, New York, by men engaged in personnel work in various industrial establishments. In 1920 the functions of personnel directors had become so broad that the name of this organization was changed to the Industrial Relations Association of America. Its purpose was to assist members in selecting, placing, training, and stabilizing employees through information concerning the best experience, theory, and literature in employment and personnel lines. This was done through meetings, addresses, papers, committee studies and reports, general discussion, and an annual convention. Local councils were organized which met monthly in such important industrial centers as Chicago, New York, Philadelphia, Boston, Pittsburgh, and Cleveland. Any industry might join and send a representative to these meetings. The official organ was *Personnel.* In December, 1921, the association had a membership of more than 2,300 firms, representing in normal times about two and one-half million workers. Recently this association has joined forces with the National Association of Corporation Schools to form the National Personnel Association.

Accurate figures concerning the cost of personnel ad-

ministration are not available, but some experiences indicate that the expense of welfare work varies from one to five per cent of the total annual pay-roll. It can be stated with a fair degree of accuracy that a reasonably adequate group of activities can be maintained for two per cent of the total annual pay-roll. Success is not always proportionate to the financial outlay. Other factors enter in, such as a sympathetic attitude on the part of the company, a square deal in collective bargaining, employee participation in financial responsibility, and joint control.

Conclusions.—Wide experience with personnel administration and various improvement plans in industry in the United States and Great Britain indicate that thrift has been promoted among employees; efficiency increased; labor turnover greatly reduced; living conditions improved; production costs diminished; wastes in materials, time, and labor reduced to a minimum; incentives to output and promotion applied successfully; and contentment, goodwill, loyalty, and a sense of partnership among the workers encouraged. Industrial unrest and friction have not disappeared from the plants where these schemes have been inaugurated, and in many cases the workers have resented these evidences of paternalism, but such plans have unquestionably conduced to greater harmony between employers and employees. Industrial workers, however, will continue to find more permanent safeguards for their interests in independent and effective collective bargaining through their own organizations than in plans that are initiated and terminated arbitrarily at the will of the employer. Such schemes will probably become a permanent phase of industrial management, and will succeed if the provision is made for true democratic control by management and workers.

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CHAPTER XXI

PROFIT-SHARING AND LABOR COPARTNERSHIP

Methods of Industrial Remuneration.—Chief among the causes of industrial unrest, it will be remembered, is the relatively low income of working classes. The numerous methods of industrial remuneration, many of which have been devised to eliminate the industrial conflict, utilize labor economically, and establish justice, are the time wage, piece wage, task wage, sliding scale, progressive wage, bonus, profit-sharing, gain-sharing, and labor copartnership. The method most generally applied is the time wage, under which payment is made by the hour, day, or week. Employers object to the time basis because of the difficulty of quickening the pace of the workers. It is claimed that the efficient worker adjusts his pace to the inefficient, since no cognizance is taken in differences of ability and productivity. This method is most desirable where operations cannot be standardized sufficiently to ascertain the relative productivity of each workman. Organized labor favors the time wage because it prevents pace-making. Under the piece-wage system the basis of compensation is the unit of output. Piece-work may be individual or group. Under the former, employees work independently, while under the latter the employer pays a group of workers a certain sum for a given quantity of work, the wage being distributed among the workers as they see fit. Employers are inclined to favor the piece-rate system because it stimulates production, but such a method tends to sacrifice quality to quantity, especially where close supervision is not possible. Workers object to the method because it tends to speeding up and results in reduction of the rate per piece.

The remaining methods are really modifications of the two just described. The task wage requires that the

worker complete a certain amount of output within a stated time, or suffer reduction in wages. On the other hand, if more than the required amount of output is realized, the workman receives no extra compensation. The task wage may be individual or collective. Overexertion and fatigue have resulted from this system. The progressive wage, known also as the premium plan, is a method under which employees receive, in addition to their regular time or piece wage, a premium or bonus calculated either on the basis of output above a certain minimum or according to economies in the use of materials. The premium may be simple or progressive, that is, it may be a fixed sum above a defined standard of output, or it may vary according to the ability of the workman. This system has been opposed by the workers on account of its tendency to introduce inequality, to result in overwork, and to increase unemployment. It is often referred to as gain-sharing, of which there are numerous variations.[1]

The sliding scale is a system under which wages are made to vary with the price of the product. It is applied often in industries where there are frequent changes in the price of the product, such as coal and metal mining. In periods of prosperity wages rise automatically with prices, while in periods of depression the wage level drops. Several objections have been raised against this plan: (1) It has been difficult to determine standards, that is, the price to be considered normal and the proper wage adjustment; (2) many controversies arise over the determination of the percentage of increase or decrease of wages that should accompany the rise or fall in prices; (3) unless a minimum wage is established, the income of the workers in periods of depression may be reduced to a point that menaces their health and progress. In the British coal-mining industry the minimum wage has been used to prevent this deterioration.

There are various bonus schemes under which, in a prosperous year, a certain lump sum is set aside for distribution among employees. The quantity bonus is based on the

[1] See Schloss, *Methods of Industrial Remuneration*, Chap. VII.

amount of output above a certain standard, the quality bonus on the character of the work performed, and the attendance bonus on regularity of work, length of service, or coöperation and goodwill. Product-sharing, often found in fishing and agricultural pursuits, is a plan under which the product is share in accordance with a predetermined agreement.

The Nature of Profit-Sharing.—Profit-sharing is a method of industrial remuneration under which an employer voluntarily agrees to give his employees a definite share in the net profits of the enterprise, in addition to their regular wage. According to resolutions passed by the International Congress on Profit-Sharing in Paris, in 1889, and subsequent conferences, genuine profit-sharing has three fundamental elements: (1) The amounts to be distributed among participants depend principally on earnings; (2) the proportion of the earnings to be distributed is definitely determined in advance; and (3) the benefits of the plan are to extend to at least one-third of the ordinary wage-earning or salary-earning employees.

The Purposes of Profit-Sharing.—In introducing profit-sharing schemes employers have one or several purposes in mind: the promotion of industrial efficiency; the reduction of labor turnover; elimination of disputes and strikes; encouragement of thrift; economy in time and materials; effective management and supervision; realization of social justice; valuable advertising; development of a sense of loyalty; and destruction of unionism.

Forms and Methods.—The forms and methods of profit-sharing include: (1) cash payments which are made at the end of a specified period; (2) deferred sharing, in which the profits to be divided are placed in a savings account, provident fund, annuity, or pension fund; and (3) payment in shares of stock.[2] Cash bonus schemes are preponderant in the United States and the United Kingdom, although deferred participation and stock distribution are gaining favor in these countries. Deferred sharing is most prevalent in France.

[2] Adams and Sumner, *Labor Problems*, p. 335.

1. *Cash Bonus.*—Cash payments have constituted the most successful method of sharing profits, but their disadvantage lies in the fact that the employer has no assurance of the wise use of the supplementary income. Workers prefer this method because the bonus is declared at frequent intervals. Cash bonus schemes have comprised about two-thirds of the plans introduced in Great Britain and a large percentage of those in the United States, although in the latter country they have been less satisfactory than stock distribution.

2. *Deferred Sharing.*—In some establishments the bonus is placed in an account for the employee, from which he may draw sums at any time on short notice. More often, however, the amount is placed to the worker's credit in a provident or superannuation fund, in which case it is not ordinarily withdrawable while he remains in the service of the firm, or it is retained partly or wholly for investment in the capital of the enterprise, and bears interest varying from 3 per cent to 6 per cent. These accumulations are returnable to the employee upon reaching a certain age, or after a stated period of service, or in the case of serious emergency. Usually workers who leave the employ of the company, go out on strike, or are dishonorably discharged do not participate in the benefits, although in some plans deserving employees who leave on account of health or other good reasons receive a part of the savings. This method has not been generally successful, especially in the United States. Because of the more or less indefinite postponement of participation, these schemes have not provided an incentive to goodwill and efficiency; the workers do not seem to care for the extended waiting period.

3. *Stock Distribution.*—In some instances shares are issued to employees without payment, in recognition of superior service for a term of two to five years. A large number of plans provide for the issue of stock to employees at a price below the market rate, payments to be made in installments. Under some English schemes employees holding shares are given a cumulative preferred

dividend, and in others the workers receive dividends without holding regular shares, certificates being given them which are not marketable as the shares held by the ordinary investors. Where shares are issued to employees free or on favorable terms, there is ordinarily a maximum limit to the number set aside for this purpose. In England this maximum ranges from $250 to $5,000 for each person. In the United States the number of shares allowed each worker varies greatly with the different plans, but earning capacity is the usual basis. The transfer of such shares, except to fellow employees, is usually prohibited, but the company repurchases them in the event of the owner's death or separation from service. Shares purchased by employees on special terms do not always carry voting rights.

Experience in Great Britain and the United States indicates that only a small number of the workers avail themselves of the opportunity to purchase stock, in the former the percentage ranging from 2 to 6 per cent, and in the latter, about 40 per cent of the eligible employees. Cash bonuses, on the other hand, reach an average of 75 per cent of the employees of the companies having such plans. In both countries representation on boards of directors is granted when employees hold considerable stock. Stock distribution to employees has been criticized on the grounds that: (1) It is extremely difficult to prevent overcapitalization, since the company is tempted to issue excessive amounts of stock in order to enlist the coöperation and goodwill of employees; (2) it is not easy to insure the retention of stock by the worker, and extra premiums have to be paid or penalties inflicted to gain this end; and (3) only a comparatively small proportion of employees take advantage of such schemes. The chief value of stock-ownership plans lies in the stimulation of careful workmanship and loyalty.

Determination of the Bonus.—The amount distributed among employees consists of a certain percentage of the net profits for the preceding year, although in some cases the apportionment is made quarterly or semiannually.

Ordinarily, the amount apportioned to each employee is in proportion to his annual earnings, overtime and piecework being excluded. Allowance is sometimes made for time lost through illness, and a reduced bonus is paid employees with a service record below a certain standard and under a certain age. In England the distribution has ranged from 5 to 50 per cent of net profits, while in the United States the amount has averaged about 12 per cent of annual wages. To produce the best results, at least 6 per cent additional income has been found necessary.

Conditions of Participation.—The most general qualification for participation in profit-sharing plans is a specified period of service, varying from four weeks to five years, but usually six months or a year is the time required. Occasionally, employees who have been with the company less than the minimum period of service receive one-half of the regular bonus. Many plans exclude certain classes of employees, such as those below a specified age, those working wholly or partly on commission, and those earning more than a specified wage or salary for the period. Sometimes members of trade unions are denied participation, although in many cases membership in a labor organization is no barrier, and in some English schemes trade union membership is compulsory. The provision is often made that employees shall lose their right to a share in profits if found guilty of unsatisfactory conduct, waste of materials, negligence of machinery and equipment, irregularity in employment or absence without sufficient cause, inefficiency, or breach of discipline.

Historical Sketch.—1. *France.*—Profit-sharing had its beginning in France with the experiment started by the house painter Edme-Jean Leclaire, in 1842. In 1843 profit-sharing was introduced in the paper factory of Laroche-Joubert, Lacroix et Cie. In 1844 the Paris and Orleans Railway Company adopted a profit-sharing scheme. For twenty years following these initial experiments progress was slow, but between 1870 and 1880 at least twenty-seven firms adopted plans that proved successful. The move-

ment received considerable impetus in the decade of the nineties; forty-one establishments introduced plans. In 1902 only ninety-three firms out of slightly more than one hundred known to have made experiments were actually practicing profit-sharing. In 1914, about 120 companies were sharing profits with their employees and 500 coöperative societies were paying bonuses varying from 10 to 60 per cent of the annual wage. The progress since that time has been encouraging. The movement in France has been sponsored largely by the *Société pour L'Etude Pratique de la Participation du Personnel dans les Bénéfices,* established in 1879, and recognized by the French government as a public utility.

2. *United Kingdom.*—Although profit-sharing was introduced by Lord Wallscourt in 1829, on his Irish estate, the first notable experiment was made by H. Briggs and Company in their Whitwood coal mines in Yorkshire, in 1865. The failure of the Briggs plan in 1875 had a disastrous effect upon the profit-sharing movement in the United Kingdom. A revival took place in 1889-1891, when no less than 50 firms adopted profit-sharing plans, the most prominent of which was the South Metropolitan Gas Company, of London. In 1894 it was ascertained that of 152 plans originated in this period only 101 were still in operation. In only 16 of the abandoned experiments was failure attributed to dissatisfaction with the fundamental principles of profit-sharing. Of the total number (380) of plans that were put into operation up to 1920, about 52 per cent have ceased to exist. Only 14 plans that were in existence in 1919 had been in operation more than 30 years, and only 36 originated prior to 1901. The average duration of abandoned schemes was about eight and one-half years. Periods of activity in establishing profit-sharing schemes have coincided with periods of prosperity and industrial unrest. The British coöperative movement has made very little use of profit-sharing.

3. *United States.*—Profit-sharing in the United States began about 1870. The pioneer experiments, such as that introduced by Brewster and Company, carriage builders

of New York, in 1870, were short lived. With the organization of the Association for the Promotion of Profit-Sharing in 1892, the movement was revived. In 1896, however, only 12 of the 50 schemes that had been applied were in actual operation. By 1899 a few additional firms had adopted plans, and in 1902 fourteen establishments were known to be practicing profit-sharing. No general investigation was made again until 1916, when the United States Department of Labor made a survey which showed that 60 companies were operating plans. Of these, two-thirds had been in existence less than a decade. In 1920, the National Industrial Conference Board listed 137 concerns that were practicing profit-sharing in some form, but only 41 of these schemes were characterized as true profit-sharing. A survey made by the National Civic Federation in the same year indicates that the number of establishments sharing profits with their employees is greater to-day than at any other time in the history of the movement.

Types of Establishments in Which Profit-Sharing Is Applied.—Profit-sharing has been introduced in almost every kind of trade, and no general conclusions can be drawn as to the type of business or industry most suited to the application of the principle. Success is most likely to be assured in businesses that can take quick inventory and determine net profits about every three months. A recent investigation in the United States shows that in 40 establishments studied the smallest company reported 40 workers, and the largest 20,000 workers. It appears that about two-thirds of the profit-sharing establishments employ less than 300 people while probably not more than 13 per cent have 1,000 or more employees. Only 20 per cent of the firms in Great Britain that were sharing profits with employees in 1919 employed more than 1,000 workers, although there were 5 that had over 10,000, and one had nearly 70,000 employees. The greatest success seems to have been in the smaller enterprises.

Labor Copartnership.—Professor Gide has observed that an even more radical modification of the wage con-

tract than is attempted by profit-sharing would be to transform it into a veritable partnership, giving to the worker a share, not only in profits but in administration, responsibility, and losses.[3] This is the aim of labor copartnership, which claims for all the workers participation to some extent in the profits, capital, and control of the industry or business in which they are employed. The Labor Copartnership Association of Great Britain, which, more than any other agency, is responsible for the promotion of profit-sharing and copartnership in that country, outlines the copartnership plan as follows: (1) The worker shall receive, in addition to the standard wages of the trade, some share in the final profit of the business or the economy of production; (2) the worker shall accumulate his share of profit, or at least a part of it, in the capital of the enterprise; (3) the worker shall acquire some share in the control of the business in two ways, including (*a*) the assumption of the ordinary rights and responsibilities of a shareholder through the ownership of stock, and (*b*) the formation of a copartnership committee of workers which has a voice in the management of the business.[4] The copartnership committee administers profit-sharing or copartnership funds, determines wages, hours, and conditions of labor, and adjusts grievances and disputes. On June 30, 1921, there were 205 firms in Great Britain with an aggregate of over 300,000 employees, which were practicing systems of profit-sharing or labor copartnership.

Examples of Successful Profit-Sharing and Copartnership.—***France.***—1. *The Maison Leclaire.*—In 1838, Edme-Jean Leclaire, a house painter and decorator in Paris, persuaded his permanent employees to establish a mutual benefit society to care for cases of sickness; this group he considered a kernel (Noyau) of efficient workmen. In 1842 he announced a comprehensive plan. Originally, simple

[3] *Political Economy,* p. 646.

[4] Labor Copartnership Association, *Memorandum on Labor Copartnership,* issued November, 1919.

cash dividends only were paid to his permanent employees, but in 1863 the Mutual Aid Society was admitted as a perpetual "sleeping partner," and in 1869 the entire business was incorporated, with the stipulation that profits should be divided henceforth among the managing partners, the Mutual Provident Society, and the regular force of employees. The plan has undergone many modifications, but the essentials have remained unchanged. There are two partners in the business who have unlimited liability, while the Mutual Provident Society, as the third partner, has limited liability. Five per cent of earnings is paid on the capital of the partners, capital receiving no share of profit beyond this fixed interest. The net profits of the business are apportioned as follows: (1) 15 per cent to the managing partners, in addition to their annual salaries, (2) 35 per cent to the Mutual Provident Society, and (3) 50 per cent to the employees, according to their wages and salaries. Leclaire usually paid about a 12 per cent dividend to labor, but in one year 24 per cent was paid. In 1912 the dividend was approximately 20 per cent and it has been around that figure in recent years. From the commencement of the scheme to 1918, the workers had received approximately $1,750,000, and the Mutual Provident Society about $1,055,000. A retiring pension is granted to each member of the society who has worked for the firm twenty years. Sickness benefits, medicines, and physicians' services are also furnished by the society. Democratic administration is assured by the *Noyau,* consisting of about 136 selected employees. Membership is open only to Frenchmen between 25 and 40 years of age, of proved ability and high moral character. The real governing body of the enterprise is the conciliation committee selected by the *Noyau;* five workmen and three other employees, with one of the managing partners as chairman, constitute this committee. The house of Leclaire is now known as Brugniot, Laurent & Company.

2. *Godin Familistère.*—The *Familistère de Guise* is known the world over as one of the most successful schemes of labor copartnership and community organization. Its

founder, J. B. André Godin, established a heating apparatus plant at Guise in 1840, and was soon convinced of the need for an improved personnel policy. In 1859 he started his movement for the *Familistère*. His system of profit-sharing was introduced in 1876, but was not fully developed until 1880, when he established a joint stock company with various forms of coöperation. Since that time many coöperative features have been added, including the care of infants in groups by efficient nurses, a community school with facilities for vocational education and higher education, coöperative supply stores organized on the Rochdale plan, a community theater, and homes for a large proportion of the employees in a "palace" equipped to give the greatest degree of comfort, cleanliness, beauty, and general utility. When Godin died in 1888, he bequeathed the company $600,000.

The method of dividing profits is determined by the rules of the society. Deductions are made from gross profits to cover depreciation of buildings, the purchase of raw materials, items for mutual insurance funds, educational expenses, and interest payable to owners of savings certificates. Net profits are distributed under the following plan: 75 per cent is paid as a dividend on wages of labor and the interest of capital; 25 per cent as a reward of ability, 4 per cent of which goes to the managing director, 16 per cent to the managing committee, and 5 per cent to capital stock. First-class members who live in the *Familistère* form the general council, which has to be consulted for all important matters. This body appoints the committee of supervision and elects three of its members to the committee of management. It also appoints a new managing director when necessary. The committee of management consists of the managing director, the three elected members, and ten heads of departments. Before the war over 2,700 persons were employed, the capital of $1,200,000 was owned entirely by employees, and the annual business amounted to $2,300,000. The works and the *Familistère* were destroyed by the Germans during the war, and raw materials and equipment were carried off. The loss was

put at 12,600,000 francs, but by a government aid of 5,000,000 francs the work of reëstablishing this interesting community began in 1920.

United Kingdom.—1. *The South Metropolitan Gas Company.*—Perhaps the best known profit-sharing and copartnership scheme in Great Britain is the one introduced by the South Metropolitan Gas Company of London, in 1889. Under the original provisions each workman was entitled to a one per cent dividend on his year's wages for every penny reduction in the price of gas per thousand feet. Those who had been with the company three years and accepted this scheme were credited with a 9 per cent nest-egg on one year's wages, to bear interest for three to five years. Four per cent was paid on the deposits of the regular annual bonus. In 1894 the percentage of the bonus was increased on the condition that one-half be invested in the company's stock, the other half being payable annually in cash. Other modifications were made from time to time, and in 1910 it was specified that the second half of the bonus should be left with the company to accumulate at interest. This amount may be invested in stock with the trustees, or, under special circumstances, withdrawn upon a week's notice.

The plan is open to all employees, under certain conditions, and all restrictions on membership in the Gas Workers' Union have been removed. Since the beginning there has been a profit-sharing committee, renamed in 1903 the copartnership committee, consisting of representatives of employee profit-sharers and management, whose functions consist in adjusting grievances and promoting goodwill. Since 1896 employee directors have been elected by the officials and the workers. The number of employee directors is not to exceed three, of whom one must be a salaried official and the other two wage-earners. The voting strength of these directors is only about 7 per cent of the total. Recently a savings deposit scheme has been added, under which employees' deposits draw 5 per cent interest. In the majority of years since the establishment of the plan the ratio of the bonus to wages and

salaries has been 7½ per cent or more. No bonus is paid when the price of gas falls below a prescribed base.

2. *Lever Brothers Company.*—Lord Leverhulme, chairman of this famous soap manufacturing concern, introduced a copartnership scheme in 1909. The plan provides for the issue of partnership certificates which are allotted to employees who are considered desirable partners, the total issue not to exceed $5,000,000 par value. There are now about 6,000 partners. Each copartner must be over twenty-two years of age, have a record of four years' service with the company, and agree to fulfill his duties faithfully. Partnership certificates entitle him to a share in the profits. The number of certificates allotted to each copartner depends upon the recommendations of his foreman or some other superior official, but there exists a right of appeal from this recommendation. Dividends were originally paid in the form of a credited bank account, but now in 5 per cent cumulative preferred shares disposable at the will of the holder. For the various classes of employees there is a maximum of shares that may be owned, the amount being from two to four times the annual wage. Within recent years both the number of copartners and the value of preferential certificates held by them have more than doubled. Employees are not represented on the board of directors, but with few exceptions all directors have been employees in the service of the company.

Preferential certificates are issued in exchange for partnership certificates in case an employee leaves the service of the company, the nominal amount of such certificates bearing an established ratio to dividends received or partnership certificates held. Preferential certificates are canceled upon the death of an employee, except where a widow is left; separation from the employ of the company to establish other employment relations without having secured in writing the consent of the trustees; or the transfer of certificates to persons other than the original owner. In addition to these plans there exists the "Lever Brothers' Employees' Benefit Fund." The entire scheme

is administered by a committee consisting of twelve persons, three nominated by those constituting the management class, three by those in the salesman class, three by the staff class, and three by the holders of preferential certificates.

United States.—1. *N. O. Nelson Company.*—Among the oldest and most successful profit-sharing plans in the United States is that of the N. O. Nelson Company, St. Louis, Missouri, manufacturers of plumbing supplies. Mr. Nelson started sharing profits with his employees in the year 1886, on the basis of paying 6 per cent interest on capital and then dividing the surplus proportionally on the total capital and the total wages for the year. In the following year it was arranged that after payment of 6 per cent on capital and 10 per cent for a reserve fund, 10 per cent of the surplus should go to a provident fund and 5 per cent to an educational fund. At the present time, after payment of the 6 per cent on capital, the remainder of net profits is divided in equal percentage on the capital stock and on the wages of employees who have been with the company six months. Dividends to employees are allowed to accumulate to their credit and are then paid to them in stock of the company. About 1,000 employees participate in stock ownership. Before an employee receives a stock certificate representing his profit-sharing dividend, he must have been with the company three years, but if he leaves the service of the company before the end of this period he loses his accumulated dividend. Employees are forbidden to sell their shares while in the service of the firm, but in meritorious cases the company will repurchase the stock. Numerous community enterprises are promoted by the firm to improve the life of the workers.

2. *Ballard and Ballard Company.*—This firm introduced its profit-sharing plan in 1886, in its flour mills at Louisville, Kentucky, by apportioning to its miller 5 per cent of the net profits of the business as a supplementary wage. In 1887 the plan was extended and it was provided that 10 per cent of the profits should be shared with employees

in the office and in the mill. This amount was gradually increased until in 1914 it amounted to about one-third of the profits, payable before any dividend was distributed among stockholders. At the present time employees who have worked for the company two years begin to participate in an amount equal to 10 per cent of the net profits for the preceding year, the dividend being in proportion to wages. Certain employees receive a special dividend of 1 to 5 per cent of the profits in addition to their salaries. The total distribution to employees amounts to about 46 per cent of the net profits. There is also an arrangement whereby the wages of employees are automatically increased from year to year.

3. *Procter and Gamble.*—This well-known soap manufacturing company of Cincinnati, Ohio, established its profit-sharing plan in 1887, to secure the loyalty and coöperation of its employees. The original plan provided that, after payment of a reasonable salary to active members of the firm and other expenses of manufacturing, net profits should be divided between the company and its employees in the ratio that labor charges in production bore to the total expense of production. In 1903 the plan was modified and stock ownership dividends were introduced. With slight changes it is still in existence. The company reserves the right to terminate the scheme at the end of any fiscal year. Employees earning not more than $2,000 per annum, except salesmen and traveling representatives, may purchase the common stock of the company at market price, to an amount equal to their annual wages. A subscribing employee pays, at the time of purchase, 2½ per cent of the cost of the stock, and not less than 4 per cent additional each year until the subscription is complete, interest of 3 per cent per annum being charged on unpaid balances. Dividends on stock are credited to the purchase account, and in addition each subscriber is given a trust certificate guaranteeing him dividends at the rate of 16 per cent per annum upon the wages actually earned, provided he has been in the continuous employ of the company for at least six months.

These trust certificate dividends are credited to the purchasing account. Employees who have been in the service of the company five or ten years may increase their stock subscriptions respectively to 125 and 150 per cent of their annual wages, and receive trust certificate dividends of 20 and 24 per cent respectively. Increased stock subscriptions are allowed with increases in wages.

Employees who withdraw from the plan in less than two years after subscription, or before 35 per cent of the stock purchase price has been credited to their account, are entitled to a refund of only the amount of cash paid in. If they leave after fulfilling these conditions they may withdraw their cash payments plus all dividends credited to them. Special settlements are made for employees who resign or are discharged. At the present time employees own more than $1,600,000 of the company's stock.

Loss Sharing.—There are a few instances in the United States in which employees who participate in profits also share in losses, through the creation of a sinking fund to cover deficits in poor years. The Garner Print Works and Bleachery of Garnerville, New York, which has a profit-sharing and copartnership scheme, sets aside 15 per cent of net profits as a sinking fund for losses. Other companies provide protection for stockholders, and in this way the workers' share in profits is diminished, so they participate indirectly in losses. The most noteworthy example of loss sharing, however, is the plan of the A. W. Burritt Company, lumber and timber dealers, Bridgeport, Connecticut, which was introduced in 1900. This company employs between 250 and 300 workers, of whom about 125 are included in the profit- and loss-sharing contract. The plan is really limited to skilled workers and is optional, but those who sign the agreement assume responsibility for losses. In order to build up a reserve against emergencies, 10 per cent of the wages of participating employees is deducted from the weekly pay envelope. If losses are sustained, the workers proportionate share is deducted from the reserve fund at the

end of the year. If no losses occur, the reserve accumulated from wages, together with the share of profits, is paid to the workers. Invested capital is apportioned 6 per cent interest and all expenses; depreciation of buildings, tools, and machinery, and bad debts are taken care of before employees are allowed to participate in profits. A worker's share in losses is in no case to exceed the amount reserved from his wages for that purpose. There has never been a loss since the inception of the plan, and participating employees have received an average profit of 6 per cent on their annual earnings. Greater coöperation and efficiency are named among the results of this scheme.

Those who favor loss sharing by employees defend their position by pointing out that: (1) To pay employees a share of the net profits of industry without imposing upon them a corresponding responsibility for losses is inequitable, because it confers rights without obligations; and (2) profit-sharing schemes will prove more effective, and will conduce to greater care in workmanship and in the use of materials and equipment, if employees are called upon to participate in losses.

Advocates of profit-sharing and labor copartnership, however, do not usually endorse the sharing of losses by employees. There are several reasons why the workers should not be called upon to share in losses. (1) Profit-sharing is designed primarily for the division of the differential, and not the division of risks. Workers suffer sufficiently in being compelled to forego the anticipated share in profits. (2) Loss sharing is very likely to result in injustice, since the losses incurred may be caused not by the lack of effort or efficiency on the part of the workers but by inefficient methods of administration and management, which are beyond the workers' control. Great discontent arises when the workers, after putting forth every effort, find themselves called upon to share deficits. (3) It is unfair to require workers to share losses, since they are constantly forced to accept as a normal burden of industry curtailment of working time, discharge, and

other conditions that result in unemployment. Economic insecurity in modern industry precludes the possibility of the workers assuming a share of general losses. (4) The workers are not able financially to participate in the deficits of industry and business. Because of a lack of effective organization, the income of the average wage-earner is insufficient to provide a decent standard of living, much less a financial reserve for the sharing of losses. There is very little reason to believe that loss sharing will be widely extended under industry as organized and administered at present. Such a responsibility might be practicable and just where the workers are real industrial partners with management and capital, but this ideal partnership has not yet been realized.

The Deficiencies of Profit-Sharing.—Experiences with profit-sharing in many countries indicate that there has been a very high percentage of abandonments. In the United States and Great Britain abandonments have been caused by the inability of the concerns to earn sufficient profits, or to some other condition independent of the plans themselves, rather than to fundamental deficiencies inherent in the system of profit-sharing. Numerous specific causes have operated, including (1) altered circumstances, such as death of the employer or change in ownership and management; (2) diminished profits, brought about chiefly by business depression and hard times; (3) liquidation or dissolution resulting from inefficient management, or disagreement among partners concerning policies of administration; and (4) dissatisfaction with the results of the scheme. The majority of profit-sharing plans have been discontinued because the employer has been convinced that the results did not compensate for the financial outlay involved, or because the employees have become dissatisfied and antagonistic. Recent investigations have indicated that in more than half of the schemes abandoned the prevailing cause was apathy, dissatisfaction, or antagonism on the part of the workers. Among the commonest complaints of employers who have discontinued their plans are: that as

an incentive to efficiency the schemes reached only a minority of the employees; that this incentive diminished as the novelty wore off; and that employees looked upon the bonus as a matter of course when paid, while in poor years when no profits were distributed great discontent resulted.

The failure of profit-sharing can be attributed in no small measure to the constant opposition of organized labor, which has objected that the prevailing market rate of wages is not paid where cash bonuses are distributed; labor would prefer to have a fixed rate of wages which can be relied upon; such schemes are intended to wean away employees from their unions, in order that they may not be in a position to bargain advantageously for higher wages, a shorter work-day, and improved conditions; the schemes are used for speeding up the workers, an increase in pay being accompanied by "intensified supervision, irritating interference, and humiliating patriarchal domination." "Profit-sharing as developed in sporadic examples, has had no effect in the elevation of the whole mass of wage-earners. It has not been a part of the world-wide labor movement . . . it has in many ways narrowed the workman's social vision. He has seen no further than his own workshop; he has concentrated his mind on his own immediate well-being. The effects of the voluntary inclusive association of all the workers of his occupation have been beyond his mental horizon." [5]

The Benefits of Profit-sharing.—Employers who have been successful in the application of profit-sharing contend that it has reduced labor turnover, encouraged regularity of service, diminished the cost of production, effected economies in the use of materials, resulted in greater care of machinery, increased efficiency, led to industrial peace, stimulated home ownership and thrift, and, in general, promoted coöperation, loyalty, and industrial goodwill. Success has depended very largely upon adherence to certain fundamental principles. (1) There has been recognition and payment of the prevailing rate

[5] Statement of J. W. Sullivan, General Lecturer for the A. F. of L.

of wages; (2) the percentage of profits to be distributed has been designated in advance; (3) provision has been made for the representation of employees on the administrative committee and an opportunity given them to ascertain the earnings of the company; (4) profits have been sufficiently high to stimulate coöperation and loyalty; and (5) especial care has been exercised in adapting the plans to the particular needs of the establishment. Departure from these principles has spelled failure. Mr. A. W. Burritt, an employer with wide experience in profit-sharing, has observed: "Any plans of this nature, in order to be successful, are vitally dependent on the person who has their introduction and care in charge. Human, personal relationship; mutual confidence; close attention to individual worth; honest remuneration; a clean, attractive, sanitary shop; and a square deal without charity are the important points."

Conclusions.—Profit-sharing cannot be considered a panacea for the ills of industrial society; it by no means constitutes a practical substitution for the wage system, nor does it solve the wage problem. As a stimulus to industrial efficiency, profit-sharing has been less effective than the piece-rate wage and other forms of progressive wage payment. As usually applied, the schemes are paternalistic. No plan orginated and administered by the employer alone can solve our industrial problems. This difficulty will be removed as true labor copartnership is developed. The problem of industrial unrest has not disappeared from plants which share profits with their workers; indeed, in many cases these plans have accentuated strife. Many conditions necessarily enter into the success of profit-sharing as a temporary expedient in helping to solve problems of industrial relations. Among these factors are the stability and profitableness of the enterprise; the intelligence and types of workers employed, whether skilled or unskilled, conservative or radical; the presence or absence of unions and the attitude of organized workers; and, finally, the willingness of employers to introduce democratic methods of management.

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CHAPTER XXII

INDUSTRIAL EDUCATION AND TRAINING

The Need for Technical Education.—The term "industrial education" is used generally to designate numerous methods and varieties of education and training of a technical nature, that attempt to fit the individual for a life of useful service in the trades and professions. It is a recognition of the fact that for the average individual knowledge must be expressed in terms of relation to life in industry, business, and commerce, as well as to the social and political organization. The movement for vocational education develops from two well-defined convictions; namely, (1) that the present system of public-school education is inadequate to meet the needs of the average child who must enter industry at an early age, and (2) that the present minute specialization of training in industry is not sufficiently comprehensive to give the individual a well-rounded preparation for any trade or calling in the factory, mercantile establishment, or large industry. Provision must be made, therefore, for greater correlation between the theories of the classroom and the facts of industrial experience.

In most of the trades in which entrance depends upon a specified period of apprenticeship, whether prescribed by trade unions to protect the labor market or by employers because of the intricacies of the trade, there is general complaint that the apprentice is not given the opportunity to master the trade. The causes of this deficiency in trade training have been suggested by Professor George E. Barnett: "In the first place, with the increasing size of the shop, specialization has become the mark of a well-organized plant. The apprentice is,

therefore, most conveniently and profitably disposed of by allowing him to follow some one operation. The result is that at the end of his apprenticeship he is proficient in only a small part of the trade. Secondly, with the increasing size of the shop and the specialization, the apprentice receives little instruction. Thirdly, in a considerable number of trades the advancing technique requires that the apprentice shall have instruction of a kind which cannot be furnished in the shop, since the knowledge required can only be gained by formal instruction.''[1] The failure to enforce plans of progression so that the apprentice shall become familiar with all the phases of the trade is injurious to the ultimate interests of the apprentice, the employer, and the nation. For this reason, standardization of entrance requirements for the various trades is expedient, whether enforced by trade union agreements with associations of employers, by employers independent of trade unions or by law. Moreover, an introductory training of a few years may well be provided in the public schools.

There is abundant evidence of the need for vocational education. The Federal Board for Vocational Education has estimated that in one year the number of minors in the United States between the ages of 14 and 15 gainfully employed is approximately 800,000 boys and 400,000 girls, or more than one-half of the entire number of children between these ages. Reports issued by the United States Bureau of Labor Statistics indicate that an army of 1,000,000 children 14 years of age leave school every year, and that a large number of these have not completed the work beyond the fifth or sixth grade. The Commission on National Aid to Vocational Education reported in 1914 that 10 per cent of the children in the United States leave school before attaining the age of 13; 40 per cent by the time they are 14; 70 per cent by the time they are 15; and 85 per cent by the time they are 16. On an average the schools in this country hold the children up to the fifth grade, but large numbers leave before reaching that

[1] ''Trade Agreements and Industrial Education,'' p. 5.

grade.[2] Similar information is available for Great Britain, where the Committee on Juvenile Education reported in 1917 that the aggregate enrollment in the public full-time day schools (elementary, secondary, and junior technical) reached its maximum of about 662,000 between 12 and 13 years of age, when it represented about 95 per cent of the total juvenile population of that age. Only 84,000, or 13 per cent of this number, are likely to have received any fragment of full-time education after the age of 14, and not more than 5 per cent can have received education in the secondary schools. Although public education beyond the elementary grades is almost entirely part-time, very little provision is made for it.

The need for industrial education is also apparent from examination of the problem of industrial efficiency. The Training Service of the United States Department of Labor gathered and analyzed statistical data which show that for want of adequate training the output of considerably more than 7,000,000 of the 10,000,000 workers in the manufacturing establishments of this country is less than 35 per cent of what it could and should be made, without subjecting the workers either to excessive speed or to exploitation. The lack of industrial training is a responsible factor in this inefficiency, as well as in the excessive turnover of labor which costs this nation about $200,000,000 annually. There are at least 6,000 American manufacturers employing groups of more than 250 persons, and yet facilities for part-time training are available in comparatively few of their factories.[3]

Vocational Education in the United States.—With the passing of the old apprenticeship system there has been a gradual awakening to the need for a suitable substitute. Many innovations have been made in the educational system, in an effort to balance technical with cultural education. "Educators have opposed the desire of business to attach the schools to the industrial enterprise. They have rightly opposed it because industry, under the in-

[2] *Report*, Vol. I, p. 24.
[3] Bulletins No. 8, pp. 2, 4; No. 9, pp. 1-5.

fluence of business, prostitutes effort. Nevertheless, hand in hand with industry, the schools must function; unattached to the human hive they are denied participation in life. Promoters of industrial education are hung between this fact of prostituted industry and their desire to establish the children's connection with life."[4]

Manual training courses are now common in the public-school curriculum, and are designed to give the child elementary knowledge in the use of tools. The trade school aims to give the apprentice a thorough and practical knowledge of some particular craft; a short, intensive training is often given in the theory and practice of such trades as bricklaying, stone masonry, painting, plastering, and carpentering. In the manual training courses manual practice in wood and iron work is subordinated to the general educational purposes, whereas in the trade school the learning of a trade for immediate economic advantage is the purpose. Technical high schools, institutes of technology, and numerous engineering colleges have been established to give more thorough knowledge of the theoretical and practical aspects of the technique of industry, offering curricula in mechanical, civil, electrical, and sanitary engineering.

Persistent efforts made in the years immediately preceding the outbreak of the war in Europe culminated in the 1914 report of the Congressional Commission on National Aid to Vocational Education. The substance of the recommendations of this commission expressed a general popular demand that had been gathering strength for more than a decade; namely, that our public-school education should be democratized and should be reconstructed to take account of the practical needs of the youth of the nation. Acting upon the suggestions of the commission, Congress, on February 23, 1917, enacted the Federal Vocational Education Act, popularly known as the Smith-Hughes Law, embodying a program for "the progressive improvement of our public-school educational system, a program for making that system less academic and

[4] Helen Marot, *Creative Impulse in Industry*, Introduction, xiv.

more vital and purposeful in serving the permanent social and economic needs of the community."[5] The commission had found a condition of vocational unpreparedness for maintaining our agricultural, industrial and commercial position and prosperity, a condition which must be remedied if the United States is to compete successfully in the markets of the world with nations such as Germany, that have built up national systems of vocational training. American labor must be made as vocationally skilled and efficient as the labor of other countries. For such a task the Federal Board for Vocational Education was provided in the act of 1917.

The Federal Board for Vocational Education was organized in August, 1917, and within one year every state in the union had officially accepted the federal law and declared its intention of coöperating with the federal government in the promotion of vocational education in the public schools and in the provision of adequate facilities for training vocational teachers. There may be established under the federal law unit trade schools, general industrial schools, part-time general continuation schools, and evening schools. The federal government undertakes to subsidize these institutions with an amount equal to that furnished from state and local funds. Between 1918 and 1921 inclusive, more than $30,000,000 was spent coöperatively by federal, state, and local governments on vocational education. The allotment of federal funds for this purpose in the fiscal year of 1922 is approximately $4,121,000; in 1923, $4,615,000; in 1924, $5,190,000; in 1925, $6,169,000; and in 1926, $7,155,000. The equivalent of the amount for 1926 is to be available annually thereafter. These amounts, it must be remembered, are to be matched by the funds appropriated by state and local governments. The rapidity with which this national movement for vocational education has grown is suggested by the fact that the number of vocational schools federally aided increased from 1,741 in 1918, to 3,859 in

[5] Federal Board for Vocational Education, *Fifth Annual Report*, 1921, p. 17.

1921; the number of teachers from 5,257 to 9,906; the number of pupils from 164,186 to 305,224; the number of teacher-training courses from 524 to 1,109; and the number of pupils in teacher-training courses from 6,589 to 14,755.

The federal law imposes the limitation that one-third of the trade and industrial fund must be devoted to the promotion and support of part-time schools and classes. This clause has had the greatest influence on state legislation. More than one-third of the amount, or even the full sum, may be used for this purpose at the discretion of state authorities. Under this provision a large number of states have enacted compulsory or permissive part-time school attendance laws, and have developed rapidly facilities for giving vocational and general continuation part-time instruction to boys and girls 14 to 18 years of age who have left school. Part-time schools are apparently the most important type in relation to industry, since instruction must be given during the hours of employment. Such instruction may constitute preparation for a trade entirely different from the one in which the youth is earning a living; or it may be of a general nature, adapted to the development of the civic, cultural, and vocational intelligence of the young worker. In any case, the schools are required to operate at least 144 hours every year during the period of regular employment. In most states the attendance requirement is 8 hours a week and the length of the school year is the same as for the public schools. Some states specifically require that the hours of instruction shall fall between 8 a.m. and 5 or 6 p.m. One of the greatest deficiencies in the laws is that penalties imposed for violation are inadequate. The Illinois law, as amended in 1921, not only compels attendance at part-time continuation schools of all minors between 14 and 18 years of age in any city or school district where facilities are available, but also imposes a fine of not less than $25 and not more than $100 upon any person, firm, or corporation willfully violating the law.

Vocational rehabilitation of the civilian disabled is a

duty which governments have been slow to recognize and assume. Those disabled in industry comprise a casualty list of which the public takes little notice, although it is comparable to the mass of casualties incident to the World War. These unfortunate wage-earners are entitled to something more than money compensation for their injuries, and it is to the best interests of society to give them the opportunity for economic rehabilitation. Economic service to the community should receive no less generous recognition than military or naval service. The Federal Act for Civilian Rehabilitation, which became effective June 2, 1920, provides for coöperation of the federal government with the states in returning to remunerative occupations civilians disabled in industry or otherwise. It covers "any person who, by reason of a physical defect or infirmity, whether congenital or acquired by accident, injury, or disease, is or may be expected to be totally or partially incapacitated for remunerative occupation." The term rehabilitation is construed to mean the rendering fit for remunerative occupations persons who are disabled. For the promotion of this work an appropriation of $750,000 for the fiscal year 1921, and of $1,000,000 for each of the three subsequent years is provided, to be apportioned to the states on the basis of population, no state to receive less than $5,000 as its allotment for any fiscal year. These grants are conditioned upon the acceptance by the states of the federal law. There were 5,610 cases on the register in 1921, and approximately $274,000 was spent from federal, state, and local funds and private contributions.

The rehabilitation of disabled soldiers, sailors, and marines is provided under the Soldier Rehabilitation Act of 1918. Between 1918 and 1921 approximately 270,000 persons were declared eligible for training under the provisions of this law, of whom about 234,000 were assigned to training. Administration of this act has been transferred from the Soldier Rehabilitation Division of the Federal Board for Vocational Education to the United States Veterans' Bureau. The Federal Board for Vocational

Education is the agency charged with the administration of the Smith-Hughes Act of 1917, and the Civilian Rehabilitation Act of 1920, the organization and procedure being similar. The federal board establishes connection with state boards for vocational education and city superintendents of schools; it also maintains a staff of experts who coöperate freely with the educational authorities in the various states. The whole movement for vocational education in this country is promoted by the National Society for Vocational Education.

Training in Industry.—Employers have been unable to rely upon outside agencies for trained employees, and although the remarkable progress made by the United States in furnishing technical education at public expense will increase the supply of trained workers, employers will continue to find it necessary to provide training facilities within their own plants. For the great mass of adult workers part-time instruction is inadequate. On account of bodily and mental fatigue, family obligations, and duties of citizenship, comparatively few industrial workers are able or willing to attend continuation classes in the evening. The consequence is that employers experience a dearth of skilled workmen and are endeavoring to build up a training system of their own that will furnish an adequate supply. Apprenticeship schools and educational courses are now provided in the labor programs of many corporations. Corporations have to meet the necessity of training those who are coming into industry for the first time, those who are already in the company's service but who must be trained for more responsible positions, those who are coming into the plant from other establishments, and immigrant workers who have had little or no opportunity to learn the English language and receive education in elementary branches.

Generally speaking, there are three types of instruction in the educational plans adopted by modern corporations; namely, (1) job instruction, (2) instruction in all the elements of a given trade, and (3) general education in elementary branches of learning. Instruction for a particu-

lar job is frequently given in "vestibule schools," in which the worker receives introductory training apart from the workroom or else in connection with the job. In this preliminary training school there is an opportunity to observe and coach new employees. While the vestibule school has been used largely in the intensive training of workers for "repetition operations," it is also applied successfully in training specialists as operators of particular types of machines. Here the applicant selected for a given position is trained for a few days, or at most for a few weeks. The benefits claimed for the vestibule school are that it prepares the unskilled workman rapidly for better-paid jobs, provides an opportunity to observe the moral qualities of selected applicants, and gives new and old employees a certain amount of choice in their work.[6] Both office and factory vestibule schools have been introduced by many corporations. The course of instruction varies with the different plants, the period generally ranging from two to six days, during which time the workers are paid a certain amount per hour. The cost of training each employee has been estimated at $52 for a month's training, but this outlay has been more than returned by increased efficiency and reduction of labor turnover.

Apprenticeship training is designed to give the worker complete mastery of a trade. Apprenticeship schools have been introduced by many corporations, prominent among which are the Pennsylvania, Southern Pacific, and Sante Fe Railroad Companies, the General Electric and Westinghouse Electric Companies, the International Harvester Company, and the National City Bank of New York. "Modernized apprenticeships" is the term used to differentiate the new system that has sprung up within the last decade or so, from the old system that formerly prevailed. Employers are beginning to understand that, despite the short-comings of the trade union apprenticeship requirements, all-around skilled workers were produced. In the rush for immediate profits employers have

[6] Henry C. Link, *Employment Psychology*, pp. 273, 274.

been little interested in prolonged periods of training, and have embraced "get-skilled-quick" systems until workers skilled in every department of a trade are becoming an oddity.

In addition to specific job training and general apprenticeship for trade mastery, many corporations find it necessary, in the interest of health, safety, efficiency, and loyalty, to provide a certain amount of general cultural education for their employees. Adult immigrant laborers are the peculiar problem with regard to this type of education. The inability of foreigners to understand English has been a prominent cause of inefficiency and accident frequency. For this reason many corporations provide courses in English, civics, and naturalization. In two years after introducing compulsory classes in English for foreigners, the Ford Motor Company attributed a 54 per cent reduction in accidents to the fact that the men could read safety signs and regulations and understand orders and instructions. The Joseph and Feiss Company of Cleveland, and other concerns have found that such instruction improves greatly the quality of workmanship. The instruction is sometimes given on company time and is often carried on independently by the corporation, although in many instances it coöperates with public-school authorities or such agencies as the Y. M. C. A. and the Y. W. C. A. A great many firms provide library facilities for employees and their families. Technical books and magazines and a general list of reading matter is available. In some plants a branch of the public library is established, either in conjunction with the plant's own library or independently, the attendants being furnished by the company. An agency of great importance in Americanization and general education work in industry is the plant magazine, usually issued monthly, and containing personal items, editorials, articles on health and safety, cartoons, and news of athletics.

In addition to training wage-earners, many companies have found it necessary to provide special training for executives and foremen. Intelligent leadership is un-

questionably the foundation of harmonious industrial relations and efficiency. Courses for executives include such subjects as teamwork, handling of men, plant organization, machinery and materials, production records, and general problems of industrial management. Emphasis is placed on the coördination of the psychological with the material forces in production.

Fundamental Principles and Methods in Industrial Training.—1. *Basic Principles.* Realization of efficiency in training is not possible unless there is: (1) a careful analytical survey of the operations of the plant to ascertain the need or advantage of any improvements which are suggested for increasing output; (2) the formulation of a definite program of training either in a separate training department or on the factory floor in conjunction with production; (3) the selection of the most inefficient workers for training; and (4) the careful grading of employees according to efficiency in production. In making preliminary surveys of the plant the company uncovers deficiencies and extravagances in management, facts and causes of labor turnover, bad routings and needless processes, and other causes of waste and low production.

2. *Methods of Training.*—One or more of several methods of training may be applied. (1) The "pick-up" method, or dependence upon imitation as a means of securing information about industrial processes, has proved decidedly unsatisfactory. Under this scheme the worker "steals" or "picks-up" the rudiments of the trade and then assumes that he is a skilled artizan, entitled to the pay and prestige that go with the trade. It is referred to sometimes as the "bluff it and get by" method, and is always condemmed as economically wasteful. (2) Training by foremen has also been unsatisfactory. Foremen are already overburdened with the duties of increasing production and maintaining goodwill, and seldom have a definite method of training employees. They do not always appreciate the value of training and should not be assigned this important task. (3) What might be called the "indefinite" method of training consists in taking regular em-

ployees from the production department to break in new workers. This method has been criticized on the ground that old employees consider this duty an interruption of their own work and an incidental matter. Moreover, they are inclined to emphasize special points to the exclusion of general fundamentals. (4) Apprenticeship has been criticized on account of its limited application, the tendency to emphasize length of service, rather than proficiency, as the measure of trade skill, and the lack of a systematic and efficient plan of instruction. (5) Training on production has been advanced as the most acceptable method of technical instruction in industry, because it is carried on under the direction of a separate training department, the sole purpose of which is training on a definite, scientific plan of instruction. Under this method the learner learns by doing, and he finds an interest in actually producing as he learns. In other words, training in the plant provides an atmosphere of production and establishes those real conditions that make instruction easy and successful. Its greatest danger lies in subordination of instruction to output.

Organization and Operation of the Separate Training Department.—The separate training department has been found indispensable. It is operated as a modern factory, and machinery and equipment is of the best type. This department can be used for the training of new, unskilled help, unfamiliar with the elementary branches of the work to which they are assigned; the up-grading of workers already employed; the bringing up to standard of those workers who have poor production records; the testing out of new applicants who claim to have had experience in the jobs for which they have applied; a laboratory where new tools or methods of operation are tested and studied, or where whole processes are improved.[7] Efficient control and complete supervision are possible in the separate training department and this means more skilled employees. Care is exercised to make instruction the pri-

[7] U. S. Training Department, Bulletin No. 14, p. 14.

mary purpose, and to prevent speed and quantity production from becoming paramount.

Many systems of training have failed because they have not been organized and operated with due regard for the peculiar conditions of particular establishments. Successful plans are those which are adapted to the factory; have definite methods of recruiting learners, such as establishing contacts with high schools and other institutions of learning; outline a systematic course of training; provide adequate supervision and a definite system of transfer upon completion of training; and endeavor to follow the trained workers' progress in the factory.

Many precautions are taken in establishing a department of training. Instructors must be well qualified. They must be good mechanics, possess ability to impart to others what they know, understand the requirements of various branches of the trade and the steps to be followed in preparation for these divisions, have a general education, and know how to handle employees. Records of economy and waste must be kept in order to devise means for eliminating unnecessary wastes. The purpose of training must be ascertained, that is, whether the aim is to train skilled mechanics, to prepare men for specific jobs, or to develop men for executive positions. Classification and organization of material and practical demonstrations are prerequisite to successful training. The learner's interest must be aroused by pointing out the interrelations of the various branches of the trade and the relation of the trade or job to the whole industry. Finally, there must be full appreciation of the human factor in production. The training department is most successful when under the supervision of a director who is responsible to the chief executive for policies and methods of instruction, and to the superintendent for work routed to the training department. In selecting a director, corporations are careful to select a man who possesses executive ability, understands human nature, has an attractive personality, and knows thoroughly the fundamental processes of manufacturing.

Examples of Corporation Schools and Apprenticeships. 1. *Southern Pacific Railroad.*—This company's school has been operated as a systematic scheme for developing executive talent through the medium of apprenticeships. During its many years of experience the aim has been to give the student an opportunity to pass through the different departments of railroading, and actual work is supplemented with reading in text-books and railway publications. The student is first placed at a station of medium size for a term of six months, where he performs duties assigned to him by the agent. Because this type of station handles the beginning and the end of transportation, he gets experience of a broad character, including ticket office, warehouse, baggage room, yard, and the solicitation of business. After completing this term he is assigned consecutively to Maintenance of Way, the office of the Superintendent of Transportation, Motive Power, Train Service, Accounting Department, and Tariff Bureau, spending three months in each. This enables him to appreciate the interrelationship of the various departments.

Subject to the approval of the management, the student is permitted next to choose specialization in either Operation and Maintenance, Passenger and Freight Traffic, or Accounting. He is then given from two to six months of training in each division of the department he selects, completing forty-two months' service as a student. If he goes into Operation and Maintenance he passes through the following divisions: maintenance of way, motive power, signals, stores department, general manager's office, and trainmaster. In the Passenger and Freight Traffic Department his time is so distributed that he becomes in turn report clerk at a junction point, passenger ticket agent, solicitor in a large city office, and district freight and passenger agent. If he goes into the Accounting Department he becomes auditor of freight accounts, auditor of passenger accounts, accountant in the division accounting bureau, auditor of disbursements, and general auditor. The company does not claim to turn out superintendents and

general managers overnight but seeks to make all-around railroad men in a new way.

2. *Apprenticeships in Machine Industries.*—A large number of corporations in machine industries—the manufacture of automobiles, farm implements, cash registers, aeroplanes, tools, machines, and silk—have introduced systematic methods of training. The plans differ in detail but the general methods are similar. Students are recruited from various sources through the centralized employment department. Several training departments are operated, including machine-tool operation, tracing and drafting, electrical work, stenographic and clerical work. Training on machine-tool work includes the operation of turret lathes, milling machines, engine lathes, screw machines, drill presses, bench work, and assembling of materials. In addition, training is given in blue-print reading, the use of scales, gauges, and other instruments and equipment. Simple mathematics is also offered. Out of these groups inspectors, foremen, and other executives are selected. Students are chosen on the basis of special aptitude, previous experience, and education.

The Advantages of Vocational Education.—Graduates of trade schools, technical high schools, and other institutions having courses in industrial training have usually demonstrated their superiority over ordinary workmen who have been denied preparatory training for industry. Exceptional trade intelligence, adeptness for learning new processes and methods, ability to manage employees, and willingness to advance the interests of the employer as well as their own have been among the characteristics of mechanics who have received introductory training. One of the most significant results of vocational education is that it tends to divert the child from blind-alley jobs into fields of interesting and reasonably paid work. The importance of this can be appreciated only when one remembers the tragedy of the untrained child in industry. Placement bureaus in our great cities have their registers filled with the names of boys about 18 years of age who had

gone into the great factories at 14 to perform mechanical work. "They have reached the limit of their income . . . They have been doing treadmill work. They know nothing else but one machine. They don't know what else is going on in industry. After four years of life in industry, they are blind as is the boy of 14 as to the opportunities there are for them. They are great tragedies."[8]

When properly correlated with the needs of industry, vocational education does much to rescue these youths from the dead level of the unskilled, and to increase national efficiency. A more ultimate advantage of vocational education is found in its preparation of the workers for the assumption of those larger responsibilities which must come with the democratization of industry. Workers recognize too frequently the advantages of industrial management without understanding its difficulties. If they are to demand a voice in the control of industry, they must become familar with the technique of production and management.

Conclusions.—Education is essentially a public function and the present tendency in the United States to take general trade training out of private hands is a desirable one. It is not the business of the employer, moreover, to furnish elementary education and courses in citizenship. Private trade schools are operated in the interests of corporations, and may be prejudicial to the best interests of the workers and the nation. Many of these schools are introduced to destroy trade union requirements rather than to give complete trade training. Employers are too often interested in narrow specialization.

Employees do not appear to take advantage of training facilities furnished by employers. For instance, in 72 establishments which employed about 265,000 persons and provided training facilities, only 14,200, or about 5 per cent of the total, were enrolled as students.[9] Many of these courses are given at night when the workers are

[8] Testimony of Helen W. Rogers, Director of the Boston Placement Bureau, before the U. S. Commission on Industrial Relations.

[9] U. S. Bureau of Labor Statistics, Bulletin No. 250, p. 96.

too tired physically to submit to mental discipline. Employers will probably always find it necessary to provide training for specific jobs, since no school system can equip men for the peculiar needs of every establishment. The greatest promise, however, lies in a comprehensive system of continuation schools which coördinates the theoretical with the practical, and makes training posssible within the working hours of each day. General social interests will be served best if vocational education is controlled jointly by employers, employees, and the community. Free textbooks and equipment should be furnished and the work so planned as to care for the needs of an enlightened citizenship and the problems of industry.

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CHAPTER XXIII

COÖPERATION[1]

Importance of Coöperation in Relation to Labor Problems.—For several reasons, coöperation deserves consideration as a proposed solution of the problems of labor. (1) Coöperative movements indicate the practical possibilities of the fundamental principle upon which all constructive reform schemes are based; namely, mutual interest; (2) they reveal the persistence and determination of the wage-earning classes to improve their economic status by controlling the agencies of production and distribution; (3) they demonstrate the wisdom and sanity of peaceful, deliberate, and constructive action in the solution of the serious economic problems of modern civilization; and (4) they show that with the right type of leadership industrial workers can organize and operate business enterprises successfully.

The Nature and Forms of Coöperation.—Coöperation may be defined as an organized, usually nonpolitical attempt on the part of an association of persons to control the production and distribution of commodities for the satisfaction of their numerous wants. In the past, the coöperative movement has been almost exclusively industrial, but in recent years it has begun to assume a political significance, especially in Europe. Mutual benefit, rather than profit, is the main purpose of coöperation. Cooperators recognize the importance of capital in the economic organization of society, but they seek to secure for the workers the advantages that now accrue to the private enterpriser. The immediate aim of coöperation

[1] A considerable portion of this chapter is drawn from the writer's monograph: *Coöperation—A Study in Constructive Economic Reform*, published by the University of Illinois, 1921.

is the elimination of the middleman, employer, and private capitalist, and the substitution therefor of collective ownership and control by associated coöperators. The ultimate purpose of coöperation is the development of a coöperative commonwealth organized and functioning in the interest of the community of producers and consumers. The latter aim is revolutionary, since the economic system is to be reconstructed, but the method of attaining this end is evolutionary and peaceful.

There are four main forms of coöperation: (1) *consumers' coöperation,* or the sale of commodities by an association of persons who desire to eliminate the merchant middleman and his profits, in the interest of those who patronize the business; (2) *producers' coöperation,* which is effected by associations of workers who dispense with the services of the employer and appropriate for themselves the profits that would otherwise go to him; (3) *coöperative credit,* which consists in the associative effort of those who seek to obtain the advantages of collective capital and credit by eliminating the profits of private financiers, and (4) *distributors' coöperation,* comprising organizations of agriculturists who market their own products, and thus dispense with the private elevator, commission house, and "grain and produce trust."

I. Consumers' Coöperation

Distinguishing Characteristics of Consumers' Societies.—Coöperative associations of consumers have several well-defined features.

1. *Organization and Membership.*—Membership is open to all who meet certain requirements of moral character. In no sense are these societies closed corporations.

2. *The Purchase of Shares.*—Shares are usually of small denomination and issued at par value. In the United Kingdom the value of a share is commonly £1 ($5), and this denomination is common in the United States, although here $10 and $20 shares are frequently issued or members are required to purchase ten $5 shares. Shares are so

small as to come within reach of the lowest paid wage-earner, and provision is made for payment on the installment plan, or even by automatic accumulation of dividends. This plan renders cash payments unnecessary except for a small initial amount on allotment of shares. The steady growth of the coöperative movement is attributable in a large measure to this unusually convenient method of stock purchasing.

3. *Method of Surrendering Shares.*—Sometimes societies require each member to hold at least one transferable share, which can be disposed of only by sale to someone else. The advantage of this requirement, especially in the case of the small, struggling society, lies in the fact that it helps to sustain the membership and to perpetuate the society.

4. *Democratic Control and Administration.*—In all true coöperative associations the principle of one-man-one-vote is applied, irrespective of the number of shares held. Rigid adherence to this principle has been instrumental in precluding that concentration of stock ownership and control which so frequently results in disaster for the joint-stock company. In coöperative societies, moreover, voting by proxy is generally prohibited.

5. *The Rate of Return.*—The return on share capital is limited to about 4 or 5 per cent per annum. Profits that remain after the payment of this interest are distributed in certain agreed proportions. The surplus is divided among the customers, members and nonmembers, as dividend on purchases, although employees are sometimes included. In addition to share capital, there is "loan capital" or advances to the society by members for the purpose of enlarging the business, and upon which a definite rate of return is made.

6. *Publicity of Accounts and Statements.*—Much of the confidence in the coöperative movement has grown out of the practice of publishing at frequent intervals all of the accounts of the organizations. Financial statements are usually detailed and complete, and there obtains none of the secrecy that has brought into disrepute so many private competitive enterprises.

7. *Trading.*—The privilege of trading at coöperative stores is not confined to members, although the volume of sales to nonmembers is not very large. This may be attributed to the ease with which membership may be secured and to the fact that members are given a rate of dividend on purchases which is double that received by nonmembers.

8. *Prices.*—The coöperative society that follows strictly the Rochdale plan seldom attempts to cut prices, and does not make a practice of offering inducements in the form of "specials." Generally, only the best brands of standard goods are handled. The member receives his profit or saving in the form of quarterly dividends, rather than in his market basket. Some American societies, as the Central States Coöperative Society, have adopted a definite policy of cutting prices.

9. *Business on a Cash Basis.*—Coöperative societies endeavor to do a strictly cash business, but there is frequent departure from this principle. Many societies in the United States grant credit up to a certain percentage, one-third or one-half of contributed share capital or the total holdings of loan capital, when it becomes necessary to do so to hold membership.

10. *Legal Sanction.*—In countries where the value of coöperative societies is fully recognized, special provisions have been made for their incorporation. In the United Kingdom such societies are incorporated under the Friendly Societies Acts, 1896-1908, and the Industrial and Provident Societies Act of 1893, under which no one can hold more than £200 in shares. In the United States special legal provisions are made for nonprofit-seeking corporations and associations; several states have in this way encouraged and protected such organizations. Under a federal law (Acts of 1921-1922, Public No. 146, 67th Cong.) approved February 18, 1922, persons engaged in the production of agricultural commodities may organize associations for the processing and marketing of their products in interstate or foreign commerce. These must be mutual benefit associations, operating on the principles of one-man-one-vote, regardless of the amount of stock held, and interest on share capital not

to exceed 8 per cent per annum. The business done for non-members must not exceed that done for members, and there must be no monopoly or restraint of trade.

Historical Sketch of the Coöperative Movement in the United Kingdom.—1. *The Period of Germination, 1825-1844.*—The genesis of coöperation in the British Isles is generally associated with the name of Robert Owen (1770-1857), prominent employer and social reformer. The evils resulting from the Industrial Revolution led Owen to propose the establishment of a voluntary coöperative industrial commonwealth. In this early period the coöperative movement consisted chiefly of a series of productive colonies. Almost contemporaneously with these utopian experiments, however, a movement was initiated for the organization of coöperative workshops and stores. This movement attained considerable success, about 266 societies being established prior to 1830. Coöperation assumed something of a national character when, in 1834, Robert Owen organized the Grand National Consolidated Trade Unions for the purpose of raising wages, shortening the work-day, and establishing coöperative enterprises. Legal opposition and an organized lockout crushed this movement. Lack of a solid financial foundation and proper business methods caused the coöperative stores and workshops to succumb to the pressure of competition. The productive colonies were similarly ill-fated.

2. *The Period of Reorganization, 1844-1864.*—The ideal of coöperation was destined soon to be given more definite and practical expression by the "Rochdale pioneers." The beginning of the famous Rochdale plan was very modest. In 1844 twenty-eight poor flannel weavers, just emerging from an unsuccessful strike, subscribed to a fund to be used in the purchase of flour, sugar, and other articles, which were sold to the subscribers at prevailing market prices, the profits realized on sales being distributed periodically among the members. The first shares were purchased by an insignificant fund accumulated at the rate of two pence a week. By permitting the dividend to accumulate until it reached £5 (about $25) per man,

a total of £140 was secured, which provided sufficient captial to rent a dilapidated old store building in a back street known as Toad Lane, in Rochdale, near Manchester. The first week's sales amounted to about $10. The success of the Rochdale experiment may be attributed to the abandonment of credit accounts, sound management and scrupulous attention to balance sheets, apportionment of surplus earnings in proportion to purchases, and provision of an educational fund designed to develop in the members the spirit and ideals of true coöperation. The growth of coöperation in this period exceeded all expectations. In 1864 the total coöperative trade was approximately $14,000,000. The practical business sense of the founders, the removal of legal restrictions on investment, and the provision of legal protection for the funds of the societies were among the factors contributing to this success.

3. *The Period of Integration, 1864-1884.*—The year 1864 marks the genesis of a period of integration. Within six years the principal institutions of the coöperative movement in the United Kingdom were founded. In 1864 the English Coöperative Wholesale began its auspicious career, in 1869 the Scottish Wholesale Society began operations, and in 1871 the *Coöperative News* made its first appearance. The Women's Guild was organized in 1883, followed by the establishment of the Productive Federation. In 1864 there were 394 societies reporting a membership of 129,429, sales amounting to about $14,000,000, a net surplus of over $1,000,000, and combined share and loan capital aggregating almost $4,000,000. Twenty years later (1884) 1,291 societies reported a total membership of 729,957, sales amounting to over $152,000,000, a net surplus of over $12,000,000, and a combined share and loan capital of $47,000,000. The remarkable development was promoted by the Coöperative Union and the Coöperative Congress established in 1869. The Coöperative Union, a federation of coöperative societies in the United Kingdom, gives legal advice, spreads propaganda, stimulates education in coöperative enterprise, and protects the general interests of the entire movement. The

Coöperative Congress is held annually under the direction and auspices of the union.

4. *The Period of Expansion, 1884-1914.*—The period of thirty years following 1884 was characterized not only by unprecedented growth in the fields of coöperative production and distribution, but also by the internationalization of coöperation, through the organization, in 1885, of the International Coöperative Alliance, and the development of agricultural coöperation, indicated by the establishment of the Irish Agricultural Wholesale Society in 1898, and the Agricultural Association for England and Wales in 1904. The movement was aided materially by the English Women's Coöperative Guild (1883), the Scottish Women's Coöperative Guild (1892), and the Irish Women's Coöperative Guild (1907). The strength of the movement in this period is indicated by the fact that the collective trade in 1914 exceeded $735,000,000, as compared with $152,000,000 in 1884, an increase of about 383 per cent.

5. *The Period of Supergrowth, 1914 to the Present.*—The growth of the movement in this period has been phenomenal. At the end of 1920, the societies affiliated with the Coöperative Union embraced 4,600,000 members, representing with their families, approximately one-half of the population of the United Kingdom. Share and loan capital amounted to about $550,000,000, the total trade turnover to more than $2,000,000,000, and the net surplus to approximately $130,000,000. Over 200,000 persons were employed, and something like $150,000,000 was paid in wages and salaries. Between 1913 and 1920 membership increased 51 per cent; share and loan capital, 108 per cent; sales, 211 per cent; net surplus, 89 per cent; employees, 40 per cent; and the wages and salaries bill, 249 per cent. The number of distributive retail societies in 1920 was 1,379, and the total number of all societies affiliated with the union, 1,501.

6. *The Coöperative Wholesales.*—Fully 96 per cent of the retail distributive societies are members of the cooperative wholesales. Ever since its establishment at

Manchester, in 1864, the English Coöperative Wholesale has experienced great prosperity. Branches were soon opened in London and Liverpool, and later in Ireland, France, Germany, Denmark, and the United States. Productive and distributive departments expanded rapidly, and by 1914 their activities had extended to numerous countries, including Ceylon, Southern India, and the West Coast of Africa. The Scottish Coöperative Wholesale and the Irish Agricultural Wholesale have also been prosperous. The three coöperative wholesales had, in 1920, a collective society membership of 2,119, a share and loan capital of about $120,000,000, and collective sales of $680,000,000. The net surplus amounted to about $4,500,000, the number of employees to 47,470, and total wages and salaries to about $37,000,000. The English and Scottish wholesales own and operate successfully factories and establishments for the production of clothing, cabinets, brushes, tobacco, preserves, groceries, biscuits, flour and meal, soap, paints and varnishes, et cetera. Iron works, tin plate mills, coal mines, woolen mills, weaving sheds, tanneries, creameries, tea plantations, banking houses, and a merchant fleet are among the enterprises of the societies.

The Coöperative Movement in the United States.—The coöperative movement in the United States has had a very checkered career; it has been characterized by remarkable outbursts of enthusiasm, followed by dismal failure and decay. But the ideals and spirit of coöperation have at no time vanished completely. At frequent intervals large bodies of farmers and industrial wage-earners have embraced the practical idealism of coöperation.

1. *The Genesis of the Movement, 1794-1861.*—The inception of the coöperative movement in the United States dates back to a time preceding Robert Owen in England. In 1794 a journeymen cordwainers' union of Baltimore established a coöperative boot and shoe factory for the purpose of providing employment to its members. A second attempt was made by this same trade in 1806, after trial for conspiracy. Periods of industrial depression and excessive prices of commodities continued to

force the attention of wage-earners to possible relief through coöperative effort. Coöperative stores were opened but many failed because they sold goods at less than prevailing market prices. The real spirit and the true policies of coöperation were lacking in the early experiments, so they were doomed to failure.

Apart from numerous communistic societies, probably the first example of real consumers' coöperation in the United States was the "buying club" or "division store" organized by a tailor in the city of Boston in 1844. Out of this attempt, which was made among the members of the New England Association of Mechanics and Workingmen, there developed in 1847 the Workingmen's Protective Union, the growth of which is indicated by the fact that in 1852, 403 branches and subdivisions of the union had been established, and 165 of these reported sales for the preceding year amounting to $1,696,825.46.[2] As a result of a schism in this movement, the American Protective Union was organized in 1853. By 1857 this organization was conducting business in ten states and reported the operation of 350 divisions, $291,000 capital, and an annual trade amounting to $2,000,000. In 1856 the original New England Protective Union reported 63 divisions, 3,584 members, $130,912 capital, and a trade volume for 1885 totaling $1,005,882.02.[3] Both of these associations succumbed with the outbreak of the Civil War, failure being attributed to the practice of selling commodities at cost, incompetent management, extension of credit, lack of intelligence, and the absence of a true coöperative spirit.

In 1853 the International Industrial Assembly of America, having a membership of 200,000, promoted coöperation, and in 1866 the National Labor Union adopted the same policy, urging the establishing of coöperative stores and workshops in every kind of business in all sections of the country, but little was actually accomplished by these organizations. Their influence was constructive

[2] Adams and Sumner, *Labor Problems*, p. 398.
[3] E. W. Bemis, *History of Coöperation in the United States*, p. 23.

chiefly in demanding legislation designed to aid coöperative societies. The stores existing in this period were mere purchasing agencies.

2. *The Period of Further Experimentation, 1866-1914.*—Immediately following the Civil War the Patrons of Industry, a farmers' association, was organized and established a number of coöperative stores. The early career of this movement was auspicious, but soon it declined and many of its stores lost their coöperative features. Remnants of this grange movement survived, there being a wholesale society and 150 retail stores in Texas, in 1885. In 1894-1895 the wholesale reported sales amounting to $65,000, and a commission business of $222,-661.91. By 1896 the movement had suffered further decline and little or nothing of it remains to-day. The Knights of Labor (organized in 1869) established productive and coöperative societies on a large scale, but lack of a coöperative ideal and vision soon caused stores to degenerate into mere commission houses, and the movement assumed an aggressive labor policy, using the strike and securing legislation to achieve the aims of the workers.

The cause of coöperation was given great impetus by the Sovereigns of Industry, a coöperative association organized in 1874. Stores were established throughout the North Atlantic states, and in 1875 the association reported 101 councils with 6,670 members engaged in distributive coöperation. Fully one-half of the stores started by this organization were operated on the Rochdale plan, and this fact has earned for the Sovereigns of Industry the distinction of being the first to establish that system on the American continent. Poor methods of administration and unsound business policies forced the dissolution of the association in 1879, although some of its stores continued as independent enterprises, and many that suspended operation were not compelled to do so for financial reasons.[4]

An innovation in coöperative experiments in America

[4] Adams and Sumner, *op. cit.*, p. 400.

was made in the organization of the Labor Exchange at Independence, Missouri, in 1889. Members of the association were privileged to bring to the exchange any commodity they desired, and receive payment in the form of a labor check for an equivalent value in the local wholesale market, where goods could be purchased at retail prices. Nonmembers could trade at the exchange either by the use of labor checks or legal money. The movement had 135 branch exchanges spread throughout 32 states, with a membership of 6,000 in 1896. Following the death of its founder—Mr. G. B. DeBernardi—the experiment soon declined.

Numerous other organizations, such as the Farmers' Alliance, were active in promoting coöperative experiments. Movements of a more or less sporadic nature developed in New England, the Middle West, the West, and in the Pacific Coast region. In the Central West and Northwest the movement was aided very materially by the Right Relationship League, organized in Chicago in 1898. In 1905, Professor Ira B. Cross found 343 cooperative stores operating in the United States, representing an estimated capitalization of almost $9,000,000, a membership of over 76,000, and a trade of about $265,000,000. Growth was slow between 1905 and 1914.

3. *The Period of Revival and Unification, 1914 to the Present.*—Recent developments in the American coöperative movement give promise of permanent success. There are now well-defined geographic centers of coöperative effort, including Seattle and San Francisco, on the Pacific Coast; Minneapolis and St. Paul, in the Northwest; Chicago, in the Central West; and New York City, in the East. Clustering around these centers of the movement are about 3,000 or 4,000 coöperative retail societies operated by consumers, with a total membership of over 500,000, representing, with their families, about 2,000,000 persons and a combined purchasing power of $200,000,000. The Coöperative League of America estimates that the total capital of these societies is $15,000,000. Practically every phase of coöperative effort is represented

in the present movement in the United States, and unprecedented success has been achieved. Illinois alone had about 100 consumers' coöperative societies in 1920, with a combined business of something like $10,000,000. National and racial groups in America which are conducting successful coöperative societies, include the English, Scotch, Hebrews, Russians, Italians, Germans, Poles, Slovaks, Franco-Belgians, and Finns. Indeed, the success of coöperation in America in recent years has resulted in no small measure from the efforts of the foreigners who learned coöperative methods and ideals in the lands from which they came.

Coöperative wholesale societies are organized: (1) to enable the consumers' societies to make their purchases in an advantageous manner by avoiding competition among themselves in the open market; (2) to defend cooperative retail societies from the opposition of private merchants who bring pressure upon privately owned wholesales to prevent the sale of goods to coöperative stores; (3) to eliminate the profits of the commission house, jobber, and wholesaler; (4) to secure the economy and efficiency of large-scale buying. Prominent among the coöperative wholesales that have been organized in the United States in recent years are the National Cooperative Wholesale with headquarters at Chicago; the Pacific Coöperative League of San Francisco; the Cooperative Wholesale Society of America with central offices at St. Paul; the Coöperative Central Exchange of Superior, Wisconsin; the Tri-State Coöperative Association which operates in Ohio, Pennsylvania, and West Virginia; and the Central States Coöperative Wholesale Society of East St. Louis, Illinois.

Coöperative wholesales in the United States are conducted along the following lines. (1) Membership consists of coöperative societies and clubs having the Rochdale ideal and, sometimes, of individuals. Associations operated for profit are generally excluded. (2) Affiliating societies are required to invest from $100 to $1,000 in the capital stock of the wholesale, according to the size of the local

retail association. (3) Administration of the wholesales is entrusted to a board of seven or nine directors elected from the membership of the affiliated societies. (4) Generally, all goods are sold for cash at current wholesale prices, and savings are returned to the constituent societies in the form of a dividend distributed in proportion to patronage. Sometimes, as in the case of the Central States Wholesale, short-time credit is extended, and the policy of selling as near to cost as possible is adopted for the purpose of meeting, if not destroying, local retail competition.

British coöperative wholesales are federations of independent distributive retail societies, while many American coöperative wholesales have a tendency toward centralization, conducting both wholesale and retail activities, with final control of retail branches remaining largely, if not completely, in the hands of the wholesale. It cannot be determined yet whether the "American Plan" will prove successful; adherents of the Rochdale system look upon it as constituting a radical departure from pure coöperation.

In the work of unifying the coöperative societies the national coöperative conventions, the All-American Coöperative Commission, and the Coöperative League of America have been no less important than the various wholesales. The first American coöperative convention was held in Springfield, Illinois, in September, 1918, under the auspices of the Coöperative League of America, and annual conferences are now held. The Coöperative League of America is the central national union of coöperative societies, whose function it is to bind these societies into a closer relationship and to disseminate information and propaganda in behalf of the coöperative movement.

Reasons for Slow Development in the United States.— In practically every country of Europe the coöperative movement has long been an established phase of economic life, the societies numbering into the thousands and the trade turnover into billions of dollars. Until recently the movement in the United States has had no

such auspicious career. In new countries, such as the United States and Canada, the abundance of economic resources and the opportunity for economic prosperity develops a powerful spirit of individualism and competitive achievement. There is neither the economic necessity nor the individual inclination to develop a system of cooperative enterprises. But these conditions change as population becomes congested, and the masses are forced to buy more economically.

The slow growth of coöperation in the United States can be explained by many specific causes. Geographic isolation of individual societies has prevented solidarity and mutual protection. Many of these societies have been organized by men totally ignorant of sound business principles and methods. The absence of a spirit of thrift among American wage-earners has precluded the appeal of small economies. Racial and national prejudices have kept native workmen from joining the coöperative societies formed by the foreign-born. Not infrequently, unscrupulous managers have administered the stores for selfish purposes. Excessive extension of credit, a serious departure from pure Rochdalism, has often resulted in the accumulation of bad debts and bankruptcy. Similar disaster has been caused by the attempt to sell commodities below cost rather than at prevailing prices. The strong competition of immense chain-stores, department stores, and mail-order houses capitalized at millions of dollars, and able to cut prices, has obstructed coöperative enterprises. Sometimes the coöperative movement in this country has degenerated into an aggressive labor movement, placing more faith in industrial warfare than in coöperative buying and selling. The relatively high mobility of the American wage-earner has not conduced to a permanent interest in coöperative societies in particular localities. The absence of strong wholesale societies has placed the coöperative retail stores at the mercy of private wholesalers. The lack of centralized administrative, publicity, and educational agencies has contributed to the failure of the movement. Finally, the

opportunities for advancement have been so great for the man of exceptional business ability, that he has chosen either to work for a private corporation at an attractive salary or to go into business for himself, rather than to enter the coöperative movement. Many of these causes are being eliminated and the future is more promising.

II. Producers' Coöperation

Development of the Movement.—Under a system of true producers' coöperation self-governing workshops are organized and operated. The workmen furnish or borrow the capital, own or rent the establishment, determine their own conditions of employment, elect administrative committees, and share in the distribution of profits. The principle of one-man-one-vote is applied, and all workers in the enterprise are admitted to membership. As Professor Gide has remarked, producers' coöperation consists of associations of workmen who work by themselves for themselves, and keep the whole product of their toil; they work not *with* but *without* the employer.

1. *The Movement in France.*—The medieval gilds were examples of producers' coöperation, but with their decay workers lost their partnership status, and under later industrial organization the functions of employer and employee became sharply differentiated. Following 1834, there grew up many societies founded by the spontaneous action of the workers in various crafts. The ribbon-makers of St. Etienne, impressed with the success of the jewelers' association founded by Leroi in 1833, organized a productive society. This society incurred the displeasure of the government and was indicted for conspiracy, its members and leaders being sent to prison.

Not until the close of the Revolution of 1848 was the movement for control of production by the workers given great impetus. The revolution resulted in the recognition by the provisional government of the right of workmen to organize a society of tailors, known as the "Tailors of

Cliche," to make uniforms for the national guard. Venturing further, the government lent three million francs for the purpose of encouraging coöperative producers' societies. Over 200 of these societies came into existence, but the results were unsatisfactory; more than half of the loan was irretrievably lost. Considerable fraud was practiced in securing funds from the government, and the workers apparently neglected all principles of discipline and economy. In 1863, only 16 coöperative producers' associations existed in France. In that year a revival of the movement began, and the *Crédit du Travail* was established by M. Beleuze to supply credit to the new associations. In 1865, a second bank, *Crédit au Travail,* was organized at Lyons, and others sprang up at Lille and St. Etienne. In 1868 there were 93 coöperative associations for production, but in that year the *Crédit au Travail* failed. It was able to pay its creditors only 18 per cent of its liabilities, and most of the coöperative producers' societies disappeared with it.

During the labor troubles in 1879-1880, coöperation was again resorted to as an aid to the workers, and government subsidy was demanded. In 1884 there were between 50 and 60 producers societies in Paris, ten of which dated from 1848, another 10 from 1863, while the remaining 35 were of recent origin. In 1885 there were 74 associations, and in 1895 there were 213 in all of France; 165 of these did a business of almost $6,000,000. In 1893 the *Banque des Associations Ouvrières des Production* was established in Paris to supply coöperative producers' societies with necessary capital. In 1912 there were over 500 societies in France, with a membership of 20,000, and production amounting to 70,000,000 francs. At present, producers' coöperation in France is promoted by the *Magasin de Gros,* the successful wholesale society. A chair of coöperation was established recently at the Collège de France, and Professor Charles Gide was appointed to it.

2. *Coöperative Production in the United Kingdom.*—Apart from the isolated experiment of the Birmingham tailors in 1777, coöperative production in the United King-

dom prior to 1850 was confined mostly to the communistic communities established by Robert Owen and his followers. About 1850 "Redemption Societies" formed in several cities were devoted to different kinds of productive enterprises, such as shoe-making, hat-making and shawl-making. These experiments were succeeded by the Christian Socialist associations, a movement influenced considerably by developments in France directed by Louis Blanc after the Revolution of 1848. Associations formed by the Christian Socialists included societies of tailors, bakers, builders, and shoe-makers.

About 1870 the failures of coöperative workshops were so numerous that the application of the principle of co-operation to production was generally thought to be impracticable. During the last fifty years the so-called self-governing workshops have been greatly modified. In 1884 it was estimated that 224 associations registered since 1852 had failed and disappeared. At the end of 1899 there were 132 coöperative producers' societies at work in Great Britain, most of which were of recent origin. In 1909 there were only 103 coöperative producers' societies in existence, very few of which had operated twenty years. The latest report of the Ministry of Labor dealing with these associations (1920) shows that in 1918 there were only 72 societies in existence.

The coöperative producers' societies that remain in the United Kingdom are the larger, more prosperous, and better established ones, so that the number of employees has not diminished much, and the sales and profits show very large increases. The trades in which the associations are most in evidence include the boot and shoe, textile, clothing, and printing trades. In 1918 the membership of the 72 societies comprised 4,599 organizations and 21,481 individuals. The share and loan capital amounted to a total of about $5,000,000, reserve and insurance funds about $1,260,000, sales approximately $18,000,000, and profit about $1,515,000. As in the case of all business during the same period, the earnings were influenced greatly by the enormous inflation of prices. Most of the

goods are sold to coöperative distributive associations, which hold a good deal of the capital and share in the management.

The future of coöperative production in the United Kingdom, as in other countries, rests in the hands of the coöperative distributive societies rather than in associations of workmen for production. Local retail societies, federations of retail societies, and national federations as the English and Scottish wholesales are constantly widening their scope of productive operations. The value of supplies from the productive works of the English Cooperative Wholesale Society amounted to approximately $160,000,000 in 1920, as compared with about $64,000,000 in 1915, an increase of 147 per cent. The value of the supplies produced by the Scottish Wholesale Society in 1920 was about $50,000,000, as compared with $25,000,000 in 1916, an increase of 100 per cent. Federations of consumers' societies, such as the British wholesales, are able to furnish capital, a ready market, and efficient management for productive organizations.

3. *Producers' Coöperation in the United States.*—There have been numerous attempts to establish coöperative associations of producers in the United States, but the experiments have met with severe reverses. The early movement included the associations of cabinet-makers in Philadelphia in 1833, the moulders in Cincinnati in 1848, the Boston tailors in 1849, and the several experiments in the shoe, foundry, and furniture business in Massachusetts in the seventies and eighties. In the latter decade, the Knights of Labor promoted many coöperative ventures in production and distribution, but with little success. Labor organizations were not successful in their experiments, chiefly on account of the lack of business experience and the failure to adhere to disciplinary measures. Ever since 1868 an interesting movement for producers' coöperation has existed among the coopers of Minneapolis. The first experiment, which was designed to solve the problem of unemployment and increase wages, failed, and was followed by another attempt in 1870 which also met

disaster. In 1874 the Coöperative Barrel Manufacturing Company was organized, and is still functioning. In 1886 there were eight associations in Minneapolis, but by 1896 four of these had disappeared, and in 1904 only three survived. The assets of the three companies in existence in 1917 were greater than the total in 1886, but the changing conditions of the industry and the tendency to joint-stockism indicates that these experiments may soon end.

During the last few years numerous other attempts to establish producers' coöperation have been made. The Brotherhood of Maintenance of Way Men claims to have spent over $1,000,000 in the purchase of factories and knitting mills. In November, 1920, a coöperative glove factory was established by the Glove Workers' Union in Chicago, as a result of a strike against the "open shop." The venture is capitalized at $10,000. No member can own more than $1,000 worth of stock (20 shares), and, regardless of the number of shares owned, only one vote is allowed each person. It is agreed to pay a 6 per cent annual dividend on capital stock, if earned. This was paid the first year and a surplus of 5 per cent was put aside for educational purposes. Three of the five directors work in the factory.

In recent years several coöperative building associations have been formed by trade unions in the United States, one of the earliest and most important being the Building-Trades Unions' Construction and Housing Council of Boston, incorporated under the laws of Massachusetts in 1920. The council was organized with a capital of $500,000; the shares have a par value of $10. Stock ownership is permitted to any holder of a union card, and each member is allowed one vote regardless of the number of shares owned. Each craft is entitled to one representative on the board of directors, and there is but one salaried official—the business manager. In making estimates for jobs the cost of materials and labor is figured and 10 per cent is added to cover overhead, insurance, and profit. On this basis, the council's price is usually from 15 to 20 per cent lower than that charged by ordinary contractors. No com-

plaint has ever been made of the quality of work or materials or of the time taken for completing a job.

In Washington, Wisconsin, and North Dakota shingle mills, slaughter houses, laundries, bakeries, and packing plants have been organized as producers' enterprises. It is too early to predict the probable future of these schemes, but it cannot be said that producers' coöperation has heretofore been successful in this country.

Reasons for the Failure of Producers' Coöperation.— The obstacles encountered by coöperative associations of producers are many, and these explain the general failure of the movement. (1) *Insufficient capital.* Where methods of production are simple and the amount of capital required is small, producers' coöperation in its original form may succeed, but modern industry is so complex and the amount of capital required so large that associations of workingmen are seldom able to engage in coöperative production. (2) *Inability to meet the demands of the market.* Because workingmen's associations are not often able to produce cheaply enough and in sufficient quantities to satisfy the demands of consumers, it is difficult for them to build up a trade. This explains why such associations in England and France have disposed of their products to consumers' coöperative societies or to the government. (3) *The lack of business training and experience.* Managerial ability has been scarce among the workers, chiefly because of the lack of education. Even when efficient executives have been found, the workers have seldom appreciated the importance of intellectual effort and have been unwilling to pay the managers a share equivalent to their earning capacity. (4) *The tendency towards joint-stockism.* When cooperative producers are successful they are inclined to make their associations closed corporations, refusing to admit new members, and engaging hired employees. The results of producers' coöperation, however, have not all been adverse. The ideal of the founders here, as in the case of consumers' coöperation, has not been realized, but these associations have frequently given their members greater permanence and regularity of employment, im-

proved conditions of labor, and larger incomes. It has been claimed, moreover, that such experiments have improved the character of the workers, introduced true democracy in industry, and increased production.

III. Distributors' Coöperation

Distributors' Coöperation in the United States.—This form of coöperation exists chiefly among agriculturists in the United States and Europe. Agricultural coöperation in the United States is experiencing unprecedented growth, guided by such associations as the American Society of Equity, the National Grange, the Farmers' Educational and Coöperative Union, and the American Farm Bureau. In 1917 there were 5,462 farmers' organizations of various kinds, doing an annual coöperative business of more than $625,000,000. According to information gathered by the Census Bureau, the total sales in 1919 amounted to $721,983,639, while supplies purchased coöperatively were valued at $84,615,669. In the order of their importance these coöperative enterprises are: coöperative elevators, fruit and produce associations, retail stores, live-stock shipping associations, and tobacco distributive societies. Fertilizer, feed, binder twine, spraying material, coal, crates, and boxes are among the chief items purchased. Four-fifths of all the citrus fruit grown in California is sold through coöperative agencies. The California Fruit Growers' Exchange, having a membership of 8,000, shipped between 15,000,000 and 16,000,000 boxes of citrus fruit in 1918, and the various cooperative societies in that state had an aggregate of sales in 1919 valued at approximately $128,000,000. The membership of the coöperative societies in Nebraska in 1920 was over 57,000, the capital almost $8,000,000, and the the annual business about $93,000,000. There are at least 2,000 coöperative cheese factories and 3,000 coöperative creameries in the United States. Iowa had, in 1920, 610 coöperative livestock shipping associations which sold 49,-

754 cars of stock, or one-fourth of the total from that state. The total value of the shipments made by the associations was almost $104,000,000. Minnesota, Wisconsin, Illinois, New York, and Kansas are other states that have very successful coöperative agricultural societies.

IV. Coöperative Banking and Credit

Coöperative Credit Societies.—1. *Germany.*—Coöperative credit societies have achieved their greatest success in Europe, especially in Germany. It was in 1849 that Friedrich Wilhelm Raiffeisen, the founder of these associations in Germany, started his first coöperative bank and bakery in Westerwald, with a capital of about $1,500. Little was known of his scheme until 1874, but success crowned his efforts before his death in 1888. In that year there were 862 of these coöperative credit banks in existence; to-day they number at least 4,000, and have a membership of more than 300,000. The Raiffeisen banks have practically no share capital; the members receive no dividends; all profits remain the collective property of the society and are placed in the reserve fund to cover deficits, or in the foundation fund for positive improvement of premises and for charity. Loan capital is made up of small savings and deposits, drawn from a wide constituency of members and nonmembers. The character of the borrower and the specific object of the loan are scrutinized carefully, and the personal pledge is the main form of security. All offices are unpaid, except sometimes that of the cashier, and business is conducted in very modest quarters. Members are jointly responsible to the extent of all their property, a fact which explains why these banks have commanded the confidence of the general public. The average credit advanced per member is about 500 marks and the interest rate is between 4 and 5 per cent, about 1 per cent cheaper than in the town banks. The duration of loans varies between one and ten years, and they are repayable in small installments but may be repaid in a lump sum.

It is estimated that the number of agricultural credit societies in Germany exceeds 17,000, about 12,000 of which are patterned after the Raiffeisen type. A system known as the Schulz-Delitzsch, or "People's Banks," has also been organized, which furnishes credit to small producers, but these banks are quite capitalistic in character. Cooperative credit associations have made considerable progress in other European countries, France alone having between 3,000 and 4,000 such organizations. There are at least 65,000 of these little banks or credit unions in Europe and Asia, doing a total annual business of over $7,000,000,000 and sustaining very few losses. They are owned and managed by, and in the interest of, farmers and wage-earners.

2. *Great Britain and the United States.*—Coöperative credit has not been a prominent feature in the coöperative movements of the United Kingdom and the United States. The federal farm loan or rural credits law of July 17, 1916, provides for the organization of joint-stock land banks and farm loan associations in the latter country. There has been much prejudice against credit societies in the British Isles on account of the belief prevalent among coöperators that the handling of credit is contrary to the fundamental principles of coöperation. In both countries, however, building and loan associations have become prominent institutions. The purchase of shares is arranged for the convenience of persons with modest incomes, and loans are made for the purpose of purchasing or building homes, the property being held as security. Shares are usually in denominations of $100 to $200, and may be purchased on the monthly installment plan. Each member takes out one or more shares, and the interest allowed on the amounts paid in helps to reduce the sum owed on the shares. Loans are usually granted to those who offer the association the most favorable premium in addition to the regular rate of interest. There is scrupulous scrutinization of all transactions. By means of the interest which the borrower pays on his loan and the payments he makes on his shares, he liquidates his obligations

to the association. The number of associations in the United States increased from 5,973 in 1895, to 7,269 in 1918. In the latter year the assets of the societies in this country amounted to $1,769,142,175 and the membership totaled 3,838,612.

There are several reasons why associations of this type may not be considered a permanently important factor in elevating the position of the wage-earners. American labor is characterized by a high degree of mobility which precludes permanent investment in homes in a given locality, and the increasing cost of land and construction work will make such investment more difficult for the working classes. Unions contend, moreover, that employers take advantage of employees who own their homes, and feel freer to maintain unsatisfactory wage scales and working conditions since such employees cannot leave the locality readily.

Coöperative Banking Experiments in Great Britain and the United States.—After a series of conferences concerning the necessity and practicability of a coöperative banking department, the members of the English Coöperative Wholesale Society, in 1872, decided to start banking operations. The first years of banking experience were anything but successful, partly because of the opposition of a minority of the coöperators who did not favor the step which had been taken by the society. These persons organized an "Industrial Bank" which sustained heavy losses and failed after a brief existence. Although losses were sustained by the banking department of the cooperative wholesale society, credit operations were continued. At the end of June, 1920, there were 5,754 current accounts with the bank, of which 1,016 were held by coöperative societies, 3,347 by trade unions and friendly societies, and 1,391 by clubs and other mutual organizations. In addition, there were 281 deposit accounts of trade unions and friendly societies which had no current accounts with the department. For the year ending June 26, 1920, the total deposits and withdrawals reported by the banking department amounted to approximately

$2,942,056,020, as compared with $2,248,354,920 for the corresponding period in 1918-1919. This was an increase of $693,701,100, or about 30 per cent. A branch has been established in London. At present there is a movement to centralize banking facilities in special national cooperative banks in England, Ireland, and Scotland, with branches catering to all coöperative and allied institutions.

In the United States also, there is a definite movement for the establishment of coöperative credit institutions. There are credit unions or peoples' banks in Massachusetts, New York, North Carolina, and other states. At least nine states have passed laws permitting such banks to operate, and efforts are being made to have a model law on the statute books of every state. This movement is directed chiefly by the All-American Coöperative Commission, with headquarters at Washington. The organization aims to coördinate and encourage coöperative effort of producers and consumers; to unify action in eliminating speculation and profiteering in the necessities of life; and to develop intelligence, mutual understanding, and goodwill. It helped to start the Brotherhood of Locomotive Engineers' Coöperative National Bank at Cleveland, Ohio, which opened for business on November 1, 1920, with a capital stock of $1,000,000 and a paid-in cash surplus of $100,000. No loans or profits are permitted to any officer or director of the bank. The by-laws limit annual dividends on the capital stock to 10 per cent. The remainder of the earnings go first to build up a surplus required by law, and the balance is distributed among savings depositors and trust funds on a pro rata basis. Savings accounts are paid 4 per cent interest and commercial accounts of over $500 are paid 2 per cent. The bank completed its first year of operation on November 1, 1921, at which time a stock dividend of 6 per cent was paid and approximately 1 per cent was returned to depositors of savings, in addition to the regular 4 per cent interest. At the close of December, 1921, deposits with the bank amounted to $7,883,450, of which $5,802,818 was savings deposits, while the surplus and profits totaled

$194,690. Support of the bank has come from all over the country.

The workers of the United States have shown great interest in this first coöperative national bank, and other banks are to be organized on the same plan. The Producers' and Consumers' Coöperative State Bank of Tucson, Arizona, is prospering, and the organized workers of Pennsylvania have made plans for the Producers' and Consumers' Coöperative Bank of Philadelphia, capitalized at $100,000,000 divided into 10,000,000 shares of $10 each, to be sold to trade unionists throughout the country. This bank is being organized under a declaration of trust, which confers wide powers. The Amalgamated Clothing Workers of America has decided to establish a national bank in Chicago, patterned after the Locomotive Engineers' institution. These ventures by organized labor portend great benefits to the workers, since corporate control of private banks has proved detrimental to the workers' cause in time of strikes.

Criticism of Coöperation.—Although the fundamental ideal of coöperation has not been greatly assailed, many objections have been raised by its opponents against the practicability of coöperative ventures. (1) Distributive coöperation tends to lower prices but does not increase wages. It is suggested that wages are lowered because employers are inclined to take advantage of savings made to the workers from coöperative buying, and to make this an excuse for not advancing wages. On the other hand, workers who belong to coöperative societies try to keep the cost of operation down by paying employees a low wage. Experience for the most part refutes these charges. Coöperative societies usually sell at prevailing market prices, and provide higher wages and better conditions of employment than are found in private establishments. (2) Coöperation, instead of being a social organization, is composed chiefly of dividend-hunting, self-seeking persons who have no social and public spirit. While there is a modicum of truth in this accusation, the experience of cooperation in every country manifests sacrifice and devo-

tion to the common good on the part of the men and women who direct coöperative movements.

(3) Coöperation tends to develop numerous small, competing organizations, or great monopolies that result in public harm and stimulate the movement towards socialism. Federation is eliminating rivalry of interest between the competing societies, and there is no reason to believe that these organizations which are organized for mutual benefit will result in public injury. Coöperation does not necessarily lead to socialism, but, if it does, the method is both evolutionary and constructive. (4) The coöperative movement weakens labor organizations, since profits are sought and the improvement of industrial conditions disregarded. In every country trade unionism and cooperation are powerful allies in the cause of advancing the political and economic interests of the workers. Cooperation is not a substitute for, but a supplement to unionism. (5) Coöperation is a middle-class movement. There is evidence that in some countries the middle class is gaining control of the movement, but in the United States and in most other countries coöperation is controlled directly by men and women from among the manual workers. (6) Coöperation is a compromise with capitalism. This objection is raised by the revolutionary groups in every country who denounce all opportunistic reforms. More constructive radicals endorse coöperation as an effective agency for economic reorganization. (7) Coöperative societies are difficult to establish. There are serious obstacles, but the phenomenal growth of coöperation in almost every country in the world is striking evidence of its practicability.

Conclusions.—Coöperation has an enormous grasp upon the common people of the world who have a deep faith in its efficacy as an economic reform. It has not transformed nor regenerated capitalism, and the coöperative commonwealth has not been established. Within the shell of the present order, however, the coöperative movement is conferring great benefits upon the workers. Alone, cooperation will not solve the problems of the wage-earning

classes, but in conjunction with unionism and other agencies it will protect the workers' interests against those who would exploit them. The advantages accruing to the working classes from coöperative enterprises are many. Aside from the monetary benefits derived, cooperation acquaints its supporters with the practical methods and policies of business administration, develops an awakened and intelligent interest in the political and economic life of the nation, promotes the spirit of mutual social service and altruism, and creates a financial reserve and an economic organization to aid the workers in periods of unemployment and economic distress. The ideal of coöperation will always survive because it is founded upon the finest principle of human conduct—mutual service. Moreover, it constitutes one of the most rational methods of economic readjustment.

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CHAPTER XXIV

SOCIALISM

Socialism Defined.—Of all the remedies proposed for labor problems the most radical is socialism. All other reforms are considered by the socialists as temporary expedients, mere palliatives, to be tolerated only so long as society fails to appreciate the thoroughgoing proposals of socialism. According to their analysis, it is not mending but complete reorganization that the present industrial system needs.

The term socialism, as opposed to individualism, seems to have been first employed by Pierre Leroux, a French socialist, in 1838. As a title of a book it was first used with the publication of Robert Owen's "What is Socialism?" in 1841. From its inception socialism, in one form or another, has been the expression of revolt against the evils of a capitalistic system dominated by the spirit and practices of *laissez-faire*, or the doctrine of noninterference with industrial enterprise. The term socialism has never had a definite connotation; it has never designated a consistent type of philosophy or body of doctrines. The critics of socialism have complained that no two socialists agree in their definitions of the tenets and aims of socialism, and that there are as many varieties of socialism as there are socialists. Although there is an element of truth in this somewhat exaggerated criticism, there exists among socialists sufficient uniformity of teaching to make possible a definition that is generally applicable to the more orthodox forms. Briefly, socialism is a system of philosophy which requires that the whole machinery of production and distribution of goods and services shall be owned, controlled, and operated, not by individuals and competitive forces in the interests of a few, but by society in a coöperative

manner for the advantage of all. Socialism is at once a criticism of the existing order, a philosophy of social progress, a conception of an ideal society, and a definite movement for social reorganization.

There are certain beliefs which are generally held by all groups that can be designated accurately as orthodox socialist schools. (1) They attribute the ills and disorders of the present to the private, or class ownership, of the agencies of production and distribution, and the consequent concentration of wealth in the hands of a few, who are able to exploit the masses. (2) There is desired a new social order in which collective ownership shall be substituted for private ownership and control of the instruments of production and exchange, and in which there shall be equality of opportunity, and freedom from exploitation and class domination. (3) An international revolutionary movement is sponsored which aims to enlist principally, if not exclusively, the working class, including those who are described as hand-workers and brain-workers. While all true socialists believe in revolutionary action, this does not necessarily mean the use of violent methods, as is generally supposed. The term revolution as here used indicates a sudden culmination of evolutionary and ripening processes.

Types of Socialism.—The varieties of socialism are so numerous that no single statement can suggest the fundamental theories and practices of the different socialist groups. The preceding definition applies chiefly to forms of orthodox socialism. It is necessary, therefore, to distinguish between the various varieties of teachings that are usually classified as socialistic.

1. *Utopian Socialism.*—The modern socialist movement had its inception in the remote past. The annals of human progress are replete with the messages of prophets who have protested against the old, and dreamed of a new social order. Plato in his "Republic," Campanella in his "Civitas Solis," and Sir Thomas More in his "Utopia," were among the early protagonists of a reorganized society. The term "Utopian Socialists," however, is commonly used in

reference to such writers as Saint-Simon (1760-1825), Fourier (1772-1837), Proudhon (1809-1865), Cabet (1788-1856), and Robert Owen (1771-1858). These utopians, from whom subsequent socialist schools have been careful to distinguish themselves, believed that the existing order of individualism was functioning in the interests of a few privileged individuals, and was denying to the great mass of people adequate opportunities for initiative, liberty, self-expression, and the numerous benefits of associational life. A new social environment was necessary, in which the development of individuality would be assured. Such an environment they thought could be secured only by an ideal society in which voluntary association and coöperative effort would obtain, and from which competition and the evils of the factory system would be absent. Not only did they formulate the fundamental principles and practices that should govern this ideal coöperative state, but they inaugurated numerous experiments in communistic life. Among the best known of these experiments were Owen's colonies at New Lanark, Scotland, and New Harmony, Indiana, during the first quarter of the nineteenth century. These and other attempts to organize communistic societies in France, Great Britain, and the United States were short-lived. Their proposals for an artificially created society earned for them the name "utopians." The obstacles to the establishment of these artificial, isolated communities in the midst of a social order dominated by opposite motives were insurmountable, and the decay of this early socialist movement was inevitable.

2. *Christian Socialism.*—During the middle of the nineteenth century when the political and economic institutions of Continental Europe were being shaken to their very foundations, there emerged in England a reform movement which became known as Christian Socialism. F. D. Maurice, J. M. Ludlow, and Charles Kingsley were among the leaders of this new school of socialist philosophy. Some of its exponents were convinced that if socialism were not Christianized it would destroy Christianity, while others believed that the spirit of free competition and rivalry

which permeated the economic order would lead inevitably to anarchism, the destruction of the property of the rich, and the increasing misery of the poor. In opposition to the competitive system of production and distribution there was proposed coöperative production or workingmen's associations. In "Alton Locke," the eloquent English clergyman, Charles Kingsley, first enunciated in fiction form the doctrine of socialism and revolt against the evils of the sweating system. He denounced the existing social system as contrary to the spirit of the kingdom of God as revealed in Christ. The early movement was not successful in convincing the working class of the value and practicability of its program although, beginning with 1850, some coöperative producers' associations were organized. The efforts of the Christian Socialists were more constructive when directed toward the securing of social legislation in behalf of labor, such as the "Industrial and Provident Partnerships Act" of 1852, and other measures which promoted coöperation and reform. In 1889 a society of Christian Socialists was organized in the United States in the city of Boston. During the last thirty years there has developed in almost every civilized country a prominent movement that seeks to apply the principles of Christianity to industrial life.

3. *Marxian or "Scientific" Socialism.*—Contemporaneously with the emergence of Christian socialism, Marxian, or so-called scientific socialism was developed. The Marxist movement really begins with the publication of the Communist Manifesto in 1848. This remarkable document was written by the two famous founders of modern socialism, Karl Marx (1818-1883) and Frederick Engels (1820-1895), German socialist exiles who were forced to leave their native country during the revolutionary upheavals of the forties and resided in France and England. The pronouncements of Marx and Engels are sharply differentiated from those of the early utopians. Little or no attempt is made to picture the structure of an ideal state of society. Attention is given rather to an analysis of industrial conditions, economic tendencies, and the

social forces that are operating to destroy capitalism and usher in the socialist commonwealth. The principal doctrines of Marxian socialism include the evolutionary concept of society, the economic interpretation of history, the theory of the class struggle, the theory of surplus value, and the explanation of crises.

4. *State Socialism.*—State socialism had its origin and most notable development in Germany, beginning with the Congress of Eisenach in 1872, and extending down to the present time. The state is looked upon as a great moral institution for the education and protection of humanity. Because of this conception of the broad functions of the state, state socialism has signified a conscious attempt to extend the regulatory powers of government without modifying very greatly, and without destroying the fundamental institutions of the existing social order. Profits, interest, rent, wages, and other expressions of the institution of private property are to continue, subject to governmental limitation and control in the interest of social progress. The movement has had remarkable influence on protective labor legislation in Germany during the last forty years, and has had no insignificant effect upon similar extension of state interference in Australasia, Great Britain, the United States, and other countries. In securing many necessary social reforms state socialism has frequently counteracted the growth of more radical forms of socialism.

"Socialism of the Chair" also grew out of the Congress of Eisenach, this term being applied to a number of young German professors of economics who believed that the existence of grave economic and social evils warranted any extension of state authority compatible with the public welfare. This movement was a protest against the policy of individualism, and although it now has only historical significance, its central ideas were given a more radical bias and were propagated by state socialism and the whole social democratic movement in Germany.

5. *Fabianism.*—What is commonly known as the Fabian School of Socialists is a movement sponsored by certain

intellectuals in the United Kingdom, among whom are Sidney and Beatrice Webb, George Bernard Shaw, H. G. Wells, Graham Wallas, and others. The movement proposes the "reorganization of society by the emancipation of land and industrial capital from individual and class ownership, and the vesting of them in the community for general benefit." Gradual development of society into a coöperative commonwealth is aimed at, but chiefly through educational methods. The Fabian Society conducts research and investigations of industrial and social movements such as trade unionism, collectivism, and social insurance, and has contributed much to the progress of social legislation. While the Fabians are very critical of extreme Marxism, they have done a great deal to familiarize the public with the fundamental teachings of collectivism.

6. *Guild Socialism.*—Guild socialism is a movement that has developed recently in England under the guidance of the National Guilds League which was organized in 1915. Its prominent writers and leaders include S. G. Hobson and G. D. H. Cole. The central concept of guild socialism is that the management and control of industry should be vested directly in the hands of the producers, under a system of regulation designed to promote the common welfare. It is really an attempt to revive the spirit of medieval gild life. The national guildsmen, as the members of this group call themselves, believe: (1) that the present educational system prepares only a privileged few for the full responsibilities of citizenship and trains the majority for industrial subordination and servile labor; (2) that the modern industrial system is organized for profit and not for social service and the development of personality; and (3) that the modern political state fails to represent all the citizens of the commonwealth. The guildsmen mean by the commonwealth the all-inclusive relation of human personalities, the association of all citizens, while the state is looked upon as the parliamentary machinery through which the common will is expressed. The state as organized to-day

functions in the interest of a dominant economic class, as does the entire industrial system.

The development of personality, and not merely industrial efficiency, is the aim of guild socialism. It proposes an organization of society in which the state will perform noneconomic functions; and national guilds, aided by shop committees and local and district guilds of producers, will perform the economic functions. Adequate machinery is to be provided for the protection of producers and consumers in both their separate and their common interests. The national guildsmen have already formed workers' guilds in the building industry in England.

7. *Bolshevism.*—Marxian socialism is comprised of two major divisions often referred to as *communism* and *collectivism.* While the collectivists desire the abolition of private property only in the agencies of production, many communists propose the abolition of private property in the production, distribution, and consumption of goods. The recent revival of international communism is the result chiefly of the bolshevik party in Russia. Unlike the utopians, contemporary communists do not urge abolition of private property in consumption goods.

Socialism, Trade Unionism, Syndicalism, and Anarchism.—The socialist movement is incorrectly associated in the popular mind with all forms of liberalism; and considerable confusion obtains as to the relation of socialism to trade unionism, syndicalism, and anarchism. Although there are some points of resemblance among all of these theories and practices, they are far from being identical. In a previous chapter it was pointed out that trade unionism is essentially conservative and practical in its program, seeking through industrial action chiefly, and through parliamentary representation only indirectly, the improvement of the wage-earning class. The emphasis is placed upon immediate improvement of standards of wages, hours, and conditions of labor. Although there are within the ranks of trade unions a great many individuals who endorse the socialist program for the reorganization of society, the movement itself is not

revolutionary. When we turn to syndicalism or revolutionary industrial unionism we find disagreement with the doctrines of collectivism. The revolutionary industrial unionists denounce political action and the idea of a political state. Their ideal is an industrial commonwealth, controlled by and functioning in the interest of the workers. Syndicalists are uncompromisingly opposed to craft unionism and reformist or political socialism. They are opposed to the former because it splits into fragments the workers' organizations, and to the latter because it encourages social reform and seeks to establish a proletarian commonwealth through political action. Syndicalism and bolshevism have much more in common than have collectivism and syndicalism.

Anarchism is erroneously referred to as a form of socialism. Except for the belief common to both that private property is incompatible with the complete independence and development of the individual, or, at least, that it bestows independence upon some at the expense of others, socialism and anarchism have practically no doctrines that are similar. Anarchism is in reality the antithesis of socialism; the latter believes in the extension of collective authority, while the former would abolish all authority, destroy the state, and do away with all economic and social institutions. Anarchism is ultraindividualism. The individualists, among whom are numbered most employers, believe in the reduction of state interference to a minimum, while the anarchists go further and seek to eliminate government entirely.

The Socialist Internationals.—Generally speaking, the socialist movement may be divided into four phases. 1. *Utopianism.* The humanitarian movement began with the earliest prophets of social amelioration, and assumed more definite form during the late eighteenth and early nineteenth centuries. This movement includes the activities of reformers in the period of the great French Revolution and those whose utopian schemes we have already considered. This first phase was concerned chiefly with humanitarian and idealistic schemes for the uplift of the race, which was

suffering immeasurable misery from the effects of industrial changes.

2. *The First International.*—The international socialist movement really began with the publication of the Communist Manifesto in 1848. In that brief document Marx and Engels uttered the slogan which has become the battle cry of orthodox socialism everywhere—"Workingmen of all countries, unite!" Reaction spread in Europe, following the failure of the revolutionary movements of the forties, and for a time the growth of socialism was checked. Later a strong labor movement emerged that renewed socialist and labor activities. It was at this time that the international note struck in the Communist Manifesto was incorporated into the constitution and declaration of principles of the International Workingmen's Association in 1864. This organization is commonly known as the First International. It spread to many countries. For a period of about eight years, from 1864 to 1872, many conventions were held which were devoted to the discussion of the problems of the working class. These conferences united the socialist movement in Europe and America. The First International was disrupted by a struggle between the Marxian wing of socialism, under the leadership of Karl Marx, and the communistic-anarchist wing, led by Michael Bakounin (1814-1876). Bakounin, a violent Russian revolutionist, denounced evolutionary methods and political action and sought to capture the movement for communist anarchism based upon "complete individual liberty restrained only by natural law." To save the organization from anarchism the seat of the First International was transferred to New York in 1872, and three years later it was dissolved.

3. *The Second International.*—This association originated in 1889, in Paris, chiefly as an attempt to unite the socialist movements throughout the world against militarism. Between the date of its organization and the first years of the World War this association held innumerable conferences protesting against the wars that repeatedly disturbed the peace and the happiness of Europe and of the

world, and demanding that the workers be given a voice in the councils of nations. The Second International practically ceased to function when the socialists in the various warring countries openly supported their governments in the great war. The movement has been kept alive by a loyal minority and is now engaged in a struggle with the Third International.

4. *The Third International.*—The Third or Communist International was organized with an extremely radical bias at the first congress of international communists in Moscow, March 2-6, 1919. It was sponsored by the Russian bolshevists who had emerged victorious in the great Russian Revolution in 1917, and included left-wing or ultraradical socialists from many countries. The Third International is essentially a protest against reformist, political socialism and seeks the nationalization of economic life controlled not by a parliamentary state but by workingmen's organizations known as soviets. There are many evidences that a more moderate program may be adopted. While the radical socialist groups in many countries have joined the Third International, the conservative socialist organizations, which believe in political action, have refused affiliation. The new international has met annually at Moscow, Russia, and has modified repeatedly the tactics of the communists.

The Socialist Indictment of Capitalism.—From what has already been said, it should be clear that the socialist movement is fundamentally a working-class revolt against what are conceived to be serious evils inherent in the capitalistic system of production and distribution. Socialism, therefore, is really the product of capitalism, since it is the abuses of the latter that have given rise to revolutionary agitation. Socialists not only criticize capitalism, but propose a substitution for it in the form of collective ownership of the agencies of production, such as land, mines, systems of transportation, et cetera. Socialism's indictment of capitalism is directed against the wastes in human life incident to the industrial system; and wastes in human effort, materials, and wealth which it claims

are inevitable under a competitive system of production and distribution. This indictment has been well summarized by Dr. Laidler as follows: "Socialists do not necessarily base their advocacy of a new social order on the ground that the lot of the workers is becoming absolutely worse. They do believe, however, that capitalism is failing properly to utilize the marvelous productive forces at its command; that the hand and brain workers are sharing but inadequately in the increased productivity of modern industry; that capitalism retards the development of individuality among the masses of mankind and that, having largely performed its social function and outgrown its usefulness, it should yield to a more scientific and equitable industrial order than at present exists."[1]

The Doctrines of Marxian Socialism.—1. *The Economic Interpretation of History.*—This doctrine, which in common with the other fundamental teachings of scientific socialism was formulated by Marx and Engels, is based upon the proposition that economic factors—the conditions of production and distribution—determine largely, though not entirely, the political, social, legal, and other institutions and relationships of society in any given period. It has been widely misrepresented as teaching a crass materialism which declares that economic conditions are the only considerations in social progress, whereas in reality it merely states that economic factors are the most important determinants. There can be no doubt, however, that adherents of socialism are so impressed with the powerfulness of material conditions that they fail to take into consideration such historical forces as religion, law, ethics, politics, and great personalities.

2. *The Class Struggle.*—Socialist thought and action are dominated by the concept of a grim struggle between oppressors and oppressed. Such a struggle has obtained throughout the evolution of society and to-day the contest is between the wage-earning class and the capitalist class. Master and slave, lord and serf, gild-master and journey-

[1] *Socialism in Thought and Action*, p. 10.

man, employer and wage-earner—these have been the warring classes. This struggle, the socialists believe, will end in the emancipation of the proletarian or working class, and will result in the abolition of all forms of "exploitation, oppression, class distinction, and class struggles." This theory has been criticized on the grounds that the history of civilization cannot be explained wholly in terms of class conflict, and that even in it present structure society is not reducible to a two-class constituency. The socialists recognize the presence of a middle class but claim that this one will disappear under the oppression of the capitalists and will eventually merge with the proletarians. The doctrine is further objected to on the ground that it breeds class hatred, but this the socialists deny.

3. *The Concentration of Capital.*—Socialists contend that the facts of economic history indicate the operation of a law of concentration of capital under the operation of which private property tends to concentrate in fewer and fewer hands, until collective enterprise becomes necessary and inevitable. The growth of the corporation, of trusts, and large-scale production are among the tendencies cited in support of this theory. In every country the control of industry is being vested in fewer hands. This concentration appears in the realms of finance, commerce, transportation and communication, and manufacturing. Agriculture is still dominated by small-scale production, but even here there is a tendency toward concentration. It should be noted, however, (1) that although there is increasing concentration of control in industry the facts indicate a wide distribution of ownership through stocks and bonds held by the middle and wage-earning classes, and (2) concentration of individual control does not mean necessarily that this development will culminate in collectivism.

4. *Surplus Labor and Surplus Value.*—The labor theory of value, which has exercised an important influence over Marxian economics, states that the exchange value of a commodity is determined by the quantity of socially

necessary labor-power embodied therein. In other words, the quantity of human effort which is required by society to replace or reproduce a commodity is the final determinant of its price in exchange. Marx recognized what economists call "utility" as the prominent factor in "subjective value" or "value in use," but to him utility was insufficient to explain value in exchange, that is, the power of goods to command other goods in exchange. The latter determination can be explained only by a common or homogeneous element, and this element is the quantity of human labor contained in the commodity. Differences in the exchange value of goods are accounted for by the variations in the amount of human energy socially necessary to produce them. Marx was convinced, as are his disciples, that labor normally produces more than it is paid in commodities for its maintenance. For example, in a ten-hour day, the worker is said to produce in five hours the equivalent of his remuneration, and during the remaining five hours is laboring for nothing, this surplus being expropriated by the capitalist-employer. These extra hours of unremunerated effort are "surplus labor" and the value which the goods produced in that time command in exchange is "surplus value."

The Marxian theory of value is untenable because it really disregards the fact that value is governed by competitive forces, that is, by demand and supply. While labor costs are involved in the supply side of value determinations, the quantity of labor as such is not the sole determinant. No matter how much labor is embodied in a commodity there will be no exchange in the absence of demand, which is regulated by utility. In recent years socialists have laid less emphasis upon the theory of surplus value as an essential tenet of Marxism, although the communists adhere rigidly to it. It should be added, moreover, that practically all socialists still contend that while the *theory* of surplus value is probably untenable, the *facts* of surplus labor and surplus value cannot be denied.

5. *The Theory of Industrial Crises.*—Socialists contend

that industrial crises and financial panics are evils inherent in capitalism. The causes of these maladjustments are found in the deficiencies of the present system of exchange, the manufacturers' ignorance of market conditions, and, above all, in underconsumption on the part of the working class which is said to produce far more than it can repurchase with its limited income. The unequal distribution of wealth, and a lack of coördination of productive and distributive forces are responsible for periodic industrial crises and depressions. This theory has been criticized on the ground that it does not take into consideration the fact that industrial crises may result as much from overproduction and overexpansion of credit as from underconsumption. Actually, of course, these are phases of the same phenomenon, since overproduction necessitates credit expansion and, *per se,* indicates the absence of purchasing power. It is very doubtful, however, whether, under the complex structure and functions of the modern economic world, even socialism could eliminate crises.

6. *Other Theories.*—Among other Marxian doctrines are the disappearance of the middle class, which teaches that under the increasing concentration of capital the middle class tends to disappear; and the theory of increasing misery, which states that the modern wage-earner, instead of rising socially with the progress of industry, sinks deeper and deeper into "misery, slavery, degradation, exploitation, and pauperism." Contemporary socialists, discovering that the facts indicate a general improvement in the status of the working class, are inclined to admit that the worker is not absolutely but relatively worse off than he was prior to the era of capitalism. They contend that the term misery must be given a psychological interpretation, and that from this point of view the worker is worse off because of constant fear resulting from economic insecurity, the diminishing opportunity for self-expression, the failure of income to keep pace with higher standards of living, and the concentration of wealth in the hands of a few.

The Aims of Socialism.—The limits of this volume do not admit of a comprehensive presentation of the aims of socialism, much less an adequate discussion of the probable structural and functional aspects of the socialist commonwealth. Profiting by the experiences of the utopians, socialists have generally refused to picture in detail the future socialist society. In recent years, however, there has been a revival of the tendency to draw up constitutions of future socialist commonwealths, occasioned probably by the persistent demands of the critics and opponents of socialism for a definite program of reconstruction. "Broadly speaking, the socialist movement aims to bring about a condition of society under which equality of opportunity, justice, freedom, democracy and brotherhood will be the heritage of the mass of mankind."[2]

Socialism seeks to abolish the capitalistic system and to establish a form of society in which the social forces of production and distribution will be socially owned and controlled in the interest of all rather than for a privileged few. It has been suggested that many communists desire the complete abolition of private property, whereas the political socialists or collectivists wish to socialize only private property in the instruments of production and exchange, and to allow private property in consumption goods. Thus under socialism one may still own his own home and other personal effects that cater directly to his wants. Speculation in agricultural lands will be eliminated, but ownership of land will be limited only in so far as necessary to prevent the exploitation of one class by another. The wage system as now known will be abolished and industry controlled and governed by and for the productive workers. Socialism does not propose rigid equality of income, as is commonly supposed. Income will be apportioned not according to needs, as suggested by the communists, but according to differences in skill, diligence, and merit. All forms of intellectual and cultural effort are to be encouraged and an equal oppor-

[2] Laidler, *op. cit.*, p. 12.

tunity given to all to develop natural abilities. The system of money and exchange will probably not be greatly modified, except that it will be controlled collectively. Although communists would abolish parliamentary government, the collectivists advocate a political state that shall function, not as an instrument of coercion but as an agency for the promotion of the general welfare. There is no reason to believe that constructive socialists intend to destroy religion; each individual is to be free to obey his own conscience and convictions. It does not appear, moreover, that socialism proposes to destroy the home and monogamic relations.

Objections to Socialism.—Ever since its inception socialist philosophy has been severely criticized by those who defend the present social order. Many objections that were formerly urged against socialism have been discarded by intelligent critics. Among these are: (1) Socialism would lead to the collective ownership of all forms of private property; (2) socialism would mean the confiscation of all accumulated wealth and capital; (3) socialism would result inevitably in the collective ownership of the home and the nationalization of women and children; (4) labor checks would be substituted for money; (5) under socialism compulsory assignment of tasks would be introduced; (6) the social demand for commodities could not be anticipated; and (7) giant industries could not be managed successfully. The socialists' answers to the first four of these objections have been suggested already. Modern giant corporations and trusts show that the social demand for commodities is forecasted and that national industries could probably be administered successfully.

Many objections to socialism are still advanced. (1) A state of socialism would endanger, if not destroy, individual liberty. Since the days of Herbert Spencer, many have contended that "all socialism implies slavery." Socialists generally assume that economic relations are to be regulated by some central authority, which may mean the establishment of a powerful bureaucracy functioning

to limit freedom of action. There is always a real danger of the extension of governmental power over the economic life of the individual, and there can be no doubt that this danger may be greatly augmented under socialism. Socialists contend, however, that under modern capitalism individual liberty is a fiction, since industry and government are controlled in the interest of special privilege. They urge that under socialism greater economic security and industrial equality will be assured, and that the state will be controlled democratically to provide the fullest expression of individuality.

(2) Socialism will stifle initiative and enterprise by depriving individuals of the necessary incentives to action. It is difficult to escape the conclusion that socialism would tend to remove the stimulus of individual initiative, self-interest, and productivity which the relatively free play of economic motives provides to-day. Socialists urge that the altruistic motive is as powerful as the motive of self-interest. There is no assurance, however, that men will react altruistically under socialism any more than they do under capitalism. There is a tendency on the part of socialists to advocate a commonwealth in which differences in individual ability and achievements will be recognized. It is a matter of conjecture whether, in the absence of bureaucratic control, this would result in inequalities of economic status similar to those that obtain at present. (3) Socialism assumes fallaciously that certain evils of the present order will disappear when a new order is established. The abolition of private property in the instruments of production will not, *per se,* lead to the elimination of disease, envy, passion, thriftlessness, idleness, intemperance, insubordination, hatred, and other forms of physical and moral degeneracy. While socialists do not claim that society will be rid of all its ills, they are inclined in their enthusiasm to believe that a sort of millennium will follow the introduction of collectivism. Socialism will not make men moral any more than does capitalism unless it can succeed in removing all of the causes of exploitation and self-indulgence.

(4) Socialism will decrease efficiency and increase political corruption. It is contended that the history of government ownership has demonstrated the inefficiency and corruption of collective enterprise. Many persons point to national experiences during the World War as examples of profligate waste. In refutation of this contention socialists state that the present inefficiency in public industries is the result of party government dominated by corrupt political bossism and corporate interests. It is a debatable question, however, whether the delegation of authority which will be necessary under socialism will result in freedom from corruption and inefficiency. Moreover, the limited experience with self-governing workshops indicates that failure has been caused chiefly by the refusal of the workers to submit to discipline. (5) Price-fixing under socialism would be an impossible task. Unless socialism can evolve some scheme of stabilizing the price level, serious maladjustments are bound to result, as under the present operation of the law of supply and demand. Arbitrary price determination under Russian bolshevism does not appear to have been successful. The socialists claim that they will follow expediency in this matter, and are concerned with adjusting prices in accordance with the desires of the community to increase or decrease production. If they intend to control and not to ignore the law of supply and demand, price regulation may prove practicable, since that is just what happens often under capitalism. Classical economics denies the feasibility of such arbitrary action.

(6) Socialism will result in the evil of overpopulation, since the restraints which present economic conditions impose on reproduction will be removed under an economic system that apportions income according to needs. Distribution according to needs is not the aim of moderate socialism, but of communism. Another reason for this objection against socialism is that parental responsibility will be lessened, since the state will take care of the children. Socialists claim, however, that under the higher standards of living which they propose, the greater moral responsibility

of parents, coupled with a more effective public opinion, will remove all serious danger of overpopulation. (7) Socialism will lead to anarchism. Anarchism and socialism are opposite rather than identical types of philosophy, so that this objection when applied to political socialism has really no foundation. The abolition of the political state is advocated by communists, and this is a presumption in favor of anarchism. Communism accepts the unlimited dictatorship of the proletariat during the transition from capitalism to communism, but beyond that all political government of persons is to cease.

The Growth of Socialism.—In almost every important industrial nation socialism has made considerable progress in recent years. Its growth has been particularly rapid since the World War. Prior to 1914 the socialist vote in the countries in which the movement was definitely organized numbered into the millions. In 1912, the number of socialists in the German Reichstag was 110, while there were 4,250,329 votes, or 34 per cent of the vote for the entire country, cast for the socialist group in that year. There were 101 socialist representatives in the French Chamber of Deputies in 1914, and one-sixth of the total votes cast in the national election for that year were secured by the socialists. The socialist vote in the United States in 1912 was 901,000. Similar growth is recorded for other countries. Upon the outbreak of the war there was a lull in the movement, because many socialists supported their respective national governments.

The Russian Revolution in 1917, and the successful *coup d'état* of the bolsheviks, was a signal for the remarshaling of socialist forces in every country. Monarchies fell rapidly; the rulers of at least twelve European states gave way to democratic forces. In many countries, collectivism and communism succeeded czarism and monarchism. Thus, guided by N. Lenin and Leon Trotzky, Russia was brought under the control of communism and has remained under the proletarian dictatorship; early in 1919 the communist forces led by Bela Kun assumed temporary control of the government of Hungary; and, fol-

lowing the abdication of the Kaiser, in 1918, communists were active in Germany. Similar changes took place in other countries, and for a time socialism and communism threatened to realize the long-desired world proletarian revolution. Individualistic countries, as the United States and Great Britain, did not escape the spread of revolutionary activities. Even conservative China and Japan now have socialist movements, to say nothing of other oriental countries. The strength of the world socialist movement to-day cannot be stated in figures, but even the most casual observation will show that it is greater than at any other time in the world's history.

Reasons for the Growth of Socialism.—There are several reasons for the growth of socialism throughout the world.

1. *The Unreasonable and Unfounded Belief in the Efficacy of Economic Laws.*—Ever since the publication of Adam Smith's "Wealth of Nations," in 1776, there has been an unwarranted faith in the power of the free play of economic forces to assure social justice and safeguard the common welfare. Disillusionment soon followed the extreme emphasis on the virtues of *laissez-faire,* or unrestrained individualism, and a working-class revolt was inevitable. The masses turned to reform movements, and found in organized collective bargaining, labor legislation, and socialism greater promise of protection than unregulated industry had afforded them.

2. *The Broader Conception and Interpretation of the Powers of the State.*—The evils and abuses of modern industrialism have been a potent factor in the development of a new conception of the functions of government. Even in the most individualistic countries it is now generally held by the courts that the police or regulatory powers of the state may be logically and justly exercised in protecting the weak against the strong, and in safeguarding the common welfare, although this extension of authority limits and abridges the rights of individuals. Modern social legislation, which is generally viewed as a phase of state socialism, is sustained by the doctrine of the police power of the state.

3. *The Earnest Devotion of the Leaders and Disciples*

of Socialism.—Persecution and imprisonment for opposition to militarism, war and the evils of capitalism generally, have not destroyed their faith in the ultimate triumph of socialism.

4. *The Constructive Influence of Socialism.*—Many persons have affiliated themselves with the socialist movement, because they have seen in its program and activities an emphasis upon the human, as distinct from the material and mechanical, factors in production and distribution. In calling attention to the evils and deficiencies of the present social and industrial order, and in marshaling the working classes in revolt against these conditions, socialism has done a notable service. Governments and private employers have introduced many reforms originally advocated by the socialists, and the present strong tendencies towards democratic government, as well as the equally important step towards industrial democracy, are in no small measure the result of socialist agitation. Individualistic industrialism is giving place to social industrialism, and political government is passing rapidly into the hands of the governed. Socialism has not been the only force that has promoted these momentous changes, but it has been one of the important forces.

Recent Developments in the United States.—The socialist movement in the United States during the Great War was concerned chiefly with relentless opposition and the securing of an early peace. The socialist vote in the presidential election of 1916 was only 590,294, as compared with approximately 900,000 in 1912. In 1920, Eugene V. Debs received less than 1,000,000 votes out of about 28,000,000, a relatively lower vote than in 1912. This diminution in the socialist vote may be attributed partly to disruption within the movement itself, and partly to the fact that the communists have practically tabooed the exercise of suffrage under capitalism. In September, 1919, the American socialist movement split into three distinct groups, the opportunist right wing remaining in control of the Socialist Party, the ultra-revolutionary left wing forming the Communist Party, and the center-left, whose

policy was uncertain and indefinite, organizing the Communist Labor Party.

Generally speaking, the reorganization in American socialist forces was the result of the refusal of the right-wing faction to abandon its program of opportunistic political, social, and economic reforms, and the demands of the ultra-revolutionary and vacillating left factions for an extremist platform seeking the immediate demolition of capitalism and the establishment of a proletarian dictatorship. The schism in European socialism which drove political socialists to reaffirm their allegiance to the Second International and the communists to the Third International, precipitated the crisis in American socialism. The Socialist Party still adheres to its program of political and economic reform, while the communists who have joined forces in the United Communist Party denounce such reforms and place no confidence in political action. In December, 1921, many communist federations among the foreign-born united to form the Workers Party of America. In the fall of 1921 the League for Industrial Democracy was organized, as the successor to the Intercollegiate Socialist Society, its purpose being, "education for a new social order based on protection for public use and not for private profit."

The program of revolutionary communism in the United States may be summarized briefly as follows: (1) complete disruption of the capitalist state and the elimination of every vestige of bourgeois parliaments; (2) organization of a dictatorship of the proletariat as the initial step in the communist reconstruction of the social order, subsequent to the anticipated successful social revolution; (3) participation in political campaigns under capitalism to be of secondary importance, devoted only to the task of disseminating communist propaganda against the bourgeois state; (4) nominations for public office and participation in elections limited to legislative bodies, as municipal councils, state legislatures, and Congress; (5) no introduction or support of political and social reform measures by communist representatives, but the use of

parliamentary powers and privileges in exposing capitalistic oppression of the proletariat; (6) absolute maintenance of the revolutionary class struggle and no compromise or coöperation with political groups not committed definitely and openly to that struggle, as the Socialist Party, labor parties, the Non-Partisan League, and municipal ownership leagues; (7) major activities of the communist parties to be carried on in the industrial struggles, in order to develop a general understanding of the strike in relation to the final overthrow of capitalism, that is, to emphasize the revolutionary implications of the mass strike rather than the immediate purposes of the local walkout; (8) the organization and support of industrial unionism instead of the reactionary craft unionism of the American Federation of Labor; (9) coöperation with the revolutionary proletariat of the world in order to guarantee the success of the Communist International and pave the way for the introduction of world communism comprised of free, coördinated, coöperating, communistic societies.

Tendencies Toward Socialism.—There are many movements which may not be correctly described as socialism but which are regarded both by socialists and by their opponents as distinctly socialistic in character. It is believed that these tendencies are preparing the way for the transition from capitalism to socialism, if, indeed, they do not themselves form a part of that transition. In the category of these movements are usually included the growth of corporations and trusts, social legislation, the coöperative movement, public ownership of public utilities, the labor movement, and the democratization of industry through shop committees and industrial councils. Communists find little comfort in these reforms, and contend that they retard rather than advance the cause of true socialism, since they tend to reconcile the proletariat to modified capitalism. The collectivists, however, are greatly encouraged by these tendencies.

Socialists see in the modern giant corporation and trust a practical demonstration of the possibilities, economies,

and efficiencies of collectively owned and operated industries. They claim that the increasing integration of industry and concentration of control which corporate organization introduces will make it comparatively easy to expropriate the capitalists and so effect the transition from capitalism to socialism. Moreover, monopolistic control of prices, and political corruption practiced by corporations will create a spirit of revolt and solidarity among producers and consumers which will lead to a demand for collective ownership and control. Many socialists regard social legislation as a definite movement toward collectivism. While many socialists fear that these reforms placate the workers, an increasing number believe that they destroy the defenses of the capitalist, create a desire for further social regulation and control, improve the physical and intellectual status of the workers, and encourage them to engage more actively in the work of social reorganization.

In coöperation the socialists discover a very powerful movement towards collective ownership and management of the production, distribution, and exchange of wealth. The ultimate goal of true coöperation, it will be remembered, is the realization of a coöperative commonwealth. A further movement toward socialism is found in the growth of public ownership of such public utilities as the means of transportation, communication, education, and natural resources. In many countries the railway, telephone, and telegraph systems have been taken over by the government, and in every country the postal service is a public industry. Education, of course, is now essentially a public function.

Socialists deplore the tendency of craft unions to split the workers' movement into fragments, and encourage the replacement of craft unionism by industrial unionism having a distinctly radical aim. The recent movement for the democratization of industry is in keeping with the socialist program, and will educate the workers for the assumption of industrial government under socialism. Although all these tendencies introduce a larger measure

of collective control over industrial and social life, the socialists indulge in an excessive optimism when they believe that these things will lead inevitably to complete collectivism.

Conclusions.—Socialism has not been applied sufficiently to warrant dogmatic assertions concerning its power to solve the many labor problems that have developed under capitalism. The utopian experiments of the early nineteenth century were total failures, but such communities are not proposed by Marxian socialism. Even the experiences with communism in Russia and Hungary, and with more moderate socialism in Czechoslovakia and other countries, do not furnish adequate information. Concerning the success of these experiments moderate socialists, revolutionary communists, and antisocialists tell such conflicting stories that the evidence is unreliable. In so far as one may conjecture, however, there is little reason to believe that socialism in any form gives much promise of success. Before rational individuals will consent to the destruction of the present order, which has been built up through centuries of effort and has brought to mankind greater benefits than it hitherto enjoyed, socialists will have to prove conclusively that such problems as the furnishing of adequate incentives to enterprise, industrial discipline, law and order, apportionment of tasks and occupations, just recognition of differences in ability and equitable distribution of rewards, the employment of the shiftless and lazy, protection against a despotic bureaucracy, and the correlation of international trade relations, can be solved successfully under collectivism. In all probability the wage-earning classes will continue to receive greater benefits from an improved and controlled capitalism than would accrue to them from socialism.

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CHAPTER XXV

LABOR LEGISLATION

The Functions of Law in Relation to Labor.—The functions of law in relation to labor may be summed up in the words protection and improvement. Three reasons may be assigned for the enactment of laws designed to protect and improve the status of wage-earners in industry: (1) the prevalence of self-interest as the dominant motive of economic activity, which often results in the exploitation of defenseless workers by avaricious employers; (2) the complexity of modern industrial organization and operation, which makes it practically impossible, except under the compulsion of law, for even well-meaning and scrupulous employers to safeguard the physical, mental, and economic interests of their employees; and (3) the necessary relationship that obtains between the protection and improvement of standards of employment, on the one hand, and social welfare and progress, on the other.

The Development of Labor Legislation.—1. *England.*—The legal status of the laboring classes in England, as in other European countries, during the medieval period was definitely fixed. The workers found themselves encompassed with legal regulations concerning wages, hours of work, apprenticeship, migration from one locality to another, and various other aspects of their working life. Combinations of laborers for the purpose of changing conditions of employment were prohibited. Many of these measures were ineffective because of lax enforcement. The revolutionary changes that were taking place in the eighteenth century made the prevailing system of regulation burdensome to the rising class of capitalist-employers, as it had been from time to time to the laborers. Free

access to the labor market and the abolition of extended periods of apprenticeship were desired because the new machines could be operated by women and children. Inspired by the teachings of Adam Smith concerning freedom of economic activity, the manufacturers made successful attacks on statutory limitations. Freedom of action became the shibboleth of the nation and the restrictive laws were repealed.

The abolition of mercantilistic restrictions on industry and trade, and the consequent free play of economic forces under the sanction of *laissez-faire* philosophy brought new problems and new evils no less serious than the old. Technical improvements and increased production were secured at the expense of the physical and mental well-being of the men, women, and children who worked excessive hours under unfavorable conditions. New regulations, therefore, had to be prescribed by law. Robert Owen and some other employers of labor regarded themselves as the trustees of the interests of those whom they employed in their factories, and aided greatly in the movement for reform. Social and moral motives, rather than any conception of the economic waste of child labor and other evils, led to the demand for protective laws; there was no appeal to the facts concerning the relation of hours and conditions to output. The agitation of Robert Peel and Robert Owen resulted in the Health and Morals Act to Regulate the Labor of Bound Children in Cotton Factories, in 1802. Children who were not pauper apprentices were protected by the second of the Factory Acts, enacted in 1819. In 1833 all textile mills were brought under regulation. This measure prohibited the employment of children under 9 years of age; children between the ages of 9 and 13 might work only 8 hours a day, and young persons between 13 and 18 years of age for only 12 hours, with no employment at night. Provisions were made for holidays and a certificate of fitness was demanded. Special factory inspectors were appointed to enforce the act. The Children's Half-time Act of 1844 provided for the safeguarding of machinery, accident reports, public prosecu-

tion to gain damages in cases of accidents, and the employment of children for half-time only, the other half to be spent in school. Under this act all women workers were classified with young persons 13 to 18 years of age, for the purposes of restricting their hours to 12 a day and prohibiting their employment at night. The Ten-Hour Act of 1847 secured the 10-hour day for women and young persons.

But all these measures failed to reach the thousands of women and children who worked in the mines. Children began their life in the coal mines at 5, 6, or 7 years of age; girls and women worked like boys and men; and the hours were 12 or 14 in every 24, often at night. The Mines and Collieries Act of 1842 was enacted to prohibit the employment of women, and children under 10 years of age, in underground mines. The law was revised to exclude from such employment all females and all boys under 13 years of age. Moreover, the factory acts were extended to all large industries in 1864, and to smaller workshops in 1867. In 1878 the Factory and Workshop Consolidation Act repealed all former laws and substituted a factory code which made regulations more stringent. Since that time protection has been extended to workers in laundries, docks, sweatshops, mercantile establishments, and other enterprises. The new factory code of 1902 raised the minimum age for child workers from 11 to 12 years, and in 1920 the Employment of Women, Young Persons and Children Act was passed governing the employment of women and young people on the two-day shift system, excluding from industrial employment children under 14 years of age, and permitting women, and young persons 16 years of age and over, to be employed, under certain conditions, in shifts averaging not more than 8 hours a day, at any time between 6 a.m. and 10 p.m., or 6 a.m. and 2 p.m. on Saturdays. Workmen's compensation, sickness insurance, unemployment insurance, old age pensions, and many other protective measures have been enacted by Great Britain in behalf of the workers and social welfare.

2. *United States.*—Tenacious individualism, profound regard for common law principles, and strict interpretation of constitutional provisions have united to retard the development of labor legislation in the United States. The laws that have been passed lack uniformity and standardization because of the existence of forty-eight states. In the second quarter of the nineteenth century laws were passed in the various states providing for the abolition of imprisonment for debt, mechanics' prior lien for the payment of wages, free schools, and protection of women and children. In 1836 Massachusetts passed a law for the instruction of youths in factories, and in 1849 Pennsylvania enacted a 10-hour measure for women and children in certain industries. Massachusetts assumed a position of leadership among the states for protective legislation. In 1866 it passed a child labor law, in 1869 a labor bureau was established, in 1874 a 10-hour law for women and for young persons under 18 years of age in manufacturing establishments was enacted, and in 1877 legal provision was made for the inspection of factories. The progress of labor legislation in this country is discussed in the remainder of this chapter.

Legal Protection of Children.—1. *State Legislation.*—In the United States, as in England, children became the first objects of protective legislation. Provisions concerning the instruction of children in manufacturing establishments were embodied in a law in Massachusetts in 1836 and this was followed by a law in 1842 which introduced a maximum of 10 hours of work for children under 12 years of age. Connecticut passed a law in 1842 prescribing a maximum of 10 hours of labor for children under 14 years of age in cotton and woolen mills. During the next two decades similar measures were passed in New Hampshire, Maine, New Jersey, Ohio, and Pennsylvania. In 1853 Rhode Island enacted an 11-hour law for children between the ages of 12 and 15. The hours of labor for children in Connecticut were increased later to 11 and 12, respectively. The reasons for these early protective measures in the case of children were: (1) provision of

educational opportunities for those employed in industry; (2) the protection of moral and religious training; (3) the prevention of disastrous competition with adult workers; and (4) the protection of the health of the children from the evil effects of excessive hours and bad conditions of labor. In some of the states only the textile mills came under regulation, while in others all manufacturing establishments were covered. Because of the vagueness of their provisions these early statutes remained practically unenforceable. In 1866 Massachusetts passed an improved type of child labor law which prohibited the employment of children under 10 years of age in manufacturing establishments, required three months' schooling each year for child workers between the ages of 10 and 15, specified a maximum of 60 hours of labor a week for children under 15 years of age in any manufacturing establishment, and provided for inspection, annual reports, and penalties for violation.

The movement for legal protection of child workers in the United States has made its greatest strides during the last few decades. In 1903 Illinois introduced the 8-hour day for children under 16 years of age. Since that time the progress of the various states has been rapid. All of the forty-eight states, the District of Columbia, Alaska, Hawaii, and Porto Rico have enacted legislation. No uniformity exists in the state laws governing the employment of children. Certain general provisions, however, characterize these laws, such as the requirement of a minimum age limit for employed children; limitation of hours of work to a specified maximum per day and per week; prohibition of night work; regulation of the issuance of employment certificates; compulsory school attendance; provisions for administrative machinery; and punishment for violation.

The minimum age prescribed for the employment of children in factories, canneries, and mercantile establishments is generally 14 years, but there are numerous exceptions and exemptions. Exemptions from the application of the legally prescribed minimum are allowed

mainly on the basis of relationship of the child to the employer, the type of occupation, the hours of work in relation to school attendance, emergencies, and poverty. For one or another of these reasons the minimum is in many cases reduced to 10 or 12 years. In many instances the kind of occupation allowed is specified. Where occupations are deemed hazardous or likely to have serious effect on morals, the minimum age limit is ordinarily placed higher. On January 1, 1921, the minimum age for employment of boys in mines, quarries, or coal breakers was 16 in twenty-six states, 14 in ten, 15 in two, 17 in one, and 18 in four. In the remaining states there were no specific legal regulations governing the employment of children in these occupations, the minimum prescribed for other occupations being generally applicable. Children are permitted to work 10 hours a day and 60 hours a week in Louisiana and South Dakota, while in North Carolina and South Carolina the 11-hour day and 60-hour week are permitted.

Night work for children under 16 years of age in any gainful occupation is prohibited in sixteen states, except that in Missouri the provision does not apply to children working for their parents or guardian, and in Louisiana stores and mercantile establishments employing more than five persons are exempted on Saturday nights. In the laws of twenty-five states and the District of Columbia provisions against night work are limited to factories, stores, and certain other occupations. In Georgia, the prohibition applies only to children under 14½ years of age employed in factories. There are no limitations on night work for children under 16 years of age in Nevada, New Mexico, South Dakota, Texas, Utah, and Wyoming. Where night work is prohibited the hours between which work cannot be done are usually from 6 or 7 p.m. to 6 or 7 a.m., but there are variations and in some cases the prohibited hours are 9 or 10 p.m. to 5 or 7 a.m.[1]

2. *Federal Legislation.*—The lack of uniformity in state laws governing the employment of children has been

[1] U. S. Children's Bureau, *State Labor Standards,* January, 1921.

criticized severely. Opponents of state legislation have contended that certain industries in states having progressive child labor laws inevitably suffer in competition with manufacturers producing goods in states either where there are no statutory limitations or where the law is not enforced. Education and publicity are doing much to introduce the desired uniformity, but this method of reform is necessarily slow. Backward states are reluctant to adopt progressive measures, on the grounds that they do not wish to discourage the development of new industries nor drive from their boundaries those that have been developed. The only alternative, therefore, would seem to be the enactment of a federal law. The convenience, economy, and effectiveness of a uniform law and centralized administration are apparent. Such uniform control has already proved beneficial and effective in the regulation of interstate trade.

In 1916 the United States Child Labor Law was passed, and became effective September 1, 1917, a period of one year being given employers in which to make readjustments necessitated by its provisions. Under the terms of this act Congress prohibited the shipment in foreign and interstate commerce of those goods produced in factories and canneries which, within thirty days preceding the removal of such goods, had employed children under 14 years of age, or children between the ages of 14 and 16 for more than 8 hours in any day or 6 days in any week, or after the hour of 7 p.m. and before 6 a.m. The same restrictions were imposed on any article produced by any mine or quarry in the United States employing children under 16 years of age. Although this statute was welcomed by the friends of federal legislation, its provisions were considered inadequate since it was estimated that 85 per cent of the working children of the United States were in industries not covered by this law; namely, in agricultural pursuits, mercantile establishments, offices, and numerous street trades.

On June 3, 1918, after the law had been in operation only 273 days, the Supreme Court of the United States

handed down a decision declaring the federal statute unconstitutional on the grounds that the interstate commerce clause of the act could not be invoked to prevent child labor within the respective states. Four of the nine judges dissented, and the court was unanimous in the opinion that child labor is an evil, and that civilized countries must put limitations on the right to employ children in mines and factories. It was necessary, however, to find a method of national control which would not be in conflict with the limitation imposed by the federal Constitution. The immediate effect of the decision was that, in states where child labor standards were lower than those imposed by the federal law, the longer working-day for children under 16 years was restored, and the number of working children increased. Moreover, in a number of states there was an appreciable increase in the violations of state laws. For example, of 53 factories visited in one state shortly after the federal law had been declared unconstitutional, 47 were found violating the state law by employing 430 children under 12 years of age, while in the 49 factories inspected in this state during the operation of the federal law only 95 children under 14 years were found at work. In another state 721 children under 14 were employed in canneries, 50 per cent of whom were under 10 years of age.[2]

In an attempt to circumvent constitutional hindrances and to achieve the same end as the earlier statute, the taxing power of the federal government was invoked. The revenue act of 1918, approved February 24, 1919, provided for an excise tax on the products of child labor. The essential features of the new law corresponded to those embodied in the act of September 1, 1916, except that the new measure, instead of prohibiting the shipment in interstate commerce of such goods as are there enumerated, imposed an excise tax of ten per cent on the net profits from the operation of mines, quarries, mills, canneries, workshops, factories, or manufacturing establishments employing children in violation of the conditions laid

[2] U. S. Children's Bureau, *Seventh Annual Report*, 1919, pp. 21, 22.

down. Because it was a tax measure, the administration of the new law rested with the Secretary of the Treasury, especially with the Commissioner of Internal Revenue. The Secretary of Labor was made a member of a board to formulate regulations as to certificates, etc., and this official or his representative had authority to make inspection of any establishment or enterprise on request of the Commissioner of Internal Revenue. The Children's Bureau of the Department of Labor was the logical agency to carry on such investigations.

Judge James E. Boyd, of the Western District of North Carolina, whose decision against the earlier federal statute was sustained by the Supreme Court of the United States, rendered a similar decision on August 22, 1921, with regard to the new measure. He held the statute unconstitutional as an attempted interference with the right of the states to regulate labor within their respective boundaries, and pointed out that the only difference between the two laws was the tax of ten per cent on the net profits of the entire product of the establishments involved. The case was taken immediately to the Supreme Court of the United States which, in May, 1922, declared the law unconstitutional, as an invalid attempt by Congress to regulate through its taxing power something entirely within the jurisdiction of the several states in the exercise of their police powers. The decision was received very unfavorably by the public, and a vigorous attempt will doubtless be made to secure an amendment to the Constitution making possible federal control.

Because children are wards of the state, the constitutionality of state legislation designed to protect their interests is not questioned. A child is legally incapable of negotiating a free contract and is not lawfully responsible for the performance of contractual relations, therefore child labor laws do not deprive such persons of freedom of contract without due process of law. There is every reason to believe that a federal law would obliterate the unfavorable effects of interstate competition which now obtain under the heterogeneous regulations of forty-eight

states, and would be enforced more effectively than many state laws.

Protective Legislation for Women.—The movement for the legal protection of women workers developed almost contemporaneously with the movement for the protection of children, and in many instances the same legislation has been made applicable to both of these groups of workers. Laws limiting the hours of employment were most prominent among the early protective measures for women. In the decades preceding 1879 several states in which the textile industries prevailed passed 10-hour laws, but these were for the most part unenforceable, and it was not until 1879, in Massachusetts, that an effective type of law was provided. Similar measures were adopted by other states from time to time, and in 1908 the movement was given a great impetus by the action of the United States Supreme Court in sustaining the Oregon 10-hour law for women. At the present time (1922) there are only four states—Alabama, Florida, Iowa, and West Virginia—that do not have some sort of law regulating the hours of work for women. Indiana has only one limitation of hours; namely, the prohibition of the employment of women at night in manufacturing establishments. All other states have either forbidden the employment of women for more than a certain number of hours per day or week or have penalized all overtime by providing that it must be paid for at an increased rate. Numerous other measures have been enacted which regulate working conditions, provide a minimum wage, control the conditions under which homework may be carried on, require that seats be furnished, provide mothers' pensions, and prohibit employment in certain industries or occupations that are deemed injurious.

The legal working-day for women consists of 8 hours in nine states; 8½ hours in one state; 9 hours in fifteen states; 10 hours in nineteen states; and more than 10 hours in four states—New Hampshire, Vermont, Tennessee, and North Carolina. South Carolina provides a 10-hour day in cotton manufacturing establishments and

a 12-hour day in mercantile establishments. The weekly hours of labor range from 48 in the states of Massachusetts, North Dakota, Utah, Oregon, and California, to 70 in Illinois and South Dakota, and no limitation in the five most backward states already mentioned. Most of the laws specify the same daily and weekly maximum hours for all occupations included, and the provisions are applicable to the most important industries employing women. Farm work and domestic service are excluded on the ground that these occupations are not injurious to health. Although most of the states have regulations concerning the hours of labor, only nineteen have provided for a day of rest or one shorter work-day in seven, time for meals, and rest periods.

Thirty-five states have no laws prohibiting night work for women, while of the thirteen states which have such regulations eight make the provision applicable to more than one occupation, three to manufacturing only, one to mercantile establishments only, and one to ticket sellers only. Two states limit night work for women to 8 hours. The most common period during which night work is prohibited is from 10 p.m. to 6 a.m., while the longest period during which night work is prohibited is from 6 p.m. to 6 a.m. in textile manufacturing in Massachusetts. About one-fourth of the states have laws either prohibiting or regulating homework. In ten states, homework in the manufacture of clothing, trimmings, and tobacco products is prohibited for all persons, except the immediate members of a family. There are also specific regulations concerning cleanliness, adequate lighting and ventilation, and freedom from contagious and infectious diseases. A large number of states prohibit the employment of women in mines, while others prohibit their employment in other dangerous occupations. Several states prohibit the employment of women in manufacturing, mechanical, or mercantile establishments within two weeks before or four weeks after childbirth.

Minimum Wage Laws.—Among the most recent extensions of the principle of protective legislation is the legal

minimum wage, which, by specifying minimum standards of pay for certain groups of workers, seeks: (1) to protect the health and welfare of those workers; (2) to equalize the bargaining power of employers and employees covered by the laws; and (3) to promote social welfare and progress. These laws are usually made applicable to women and minors and other low-skilled and unskilled workers. Among such workers labor organization and collective bargaining have made little progress, and the keenness of competition among them has resulted in the depression of wage scales to a substandard equivalent to the bargaining power of the weakest individual bargainer. In a very real sense, therefore, the state intervenes to secure for these workers the full competitive rate of wages.

Minimum wage legislation originated in Australia. Its rudiments are found in the district conciliation boards of New Zealand, established in 1894, for the compulsory arbitration of labor disputes. In addition to maintaining industrial peace, these boards are authorized to prevent sweating by fixing minimum wages for underpaid workers. The first independent minimum wage law, however, was passed in the Australasian state of Victoria in 1896, and was secured through the efforts of the Anti-Sweating League in an attempt to crush sweatshop industries. Special boards were created, composed of an equal number of employers and employees, with an outside chairman nominated by both parties. Wage boards were at first confined to the six most sweated trades of boot-making and baking, employing mostly men; clothing, shirt-making and underclothing, employing mostly women; and furniture-making, in which the presence of Chinese workers resulted in a substandard scale of wages. In 1900, at the end of the experimental period of four years, the wage-board system was extended to other trades, and in 1904 the act was made permanent. Minimum wage rates are now set for "all the important manufacturing occupations in the cities, and also for street railways, mercantile and clerical employments, mining, and even for certain

agricultural workers."[3] Both employers and employees are apparently in favor of the wage-board system. The success of minimum wage legislation in Victoria resulted in the enactment of similar provisions in connection with compulsory arbitration laws in South Australia, Queensland, New South Wales, and Tasmania, during the decade 1900-1910.

Investigations of sweatshop methods and insufficient wages in Great Britain, by such agencies as the National Anti-Sweating League and the British Labor Party, resulted in the enactment of the Trade Boards Act in 1909, which provides for the establishment of wage boards patterned after the Victorian system. The Board of Trade is authorized to establish and supervise separate trade boards in exceptionally low-paid trades. Tailoring, paper box making, the finishing of machine-made lace, and the manufacture of certain kinds of chain, employing altogether about 250,000 workers, were first brought under regulation. In 1913 the law was made applicable to five additional sweated trades, while in 1912 the unprecedented departure was made of establishing representative district boards to determine the minimum wages and conditions of employment in the well-organized and skilled trade of coal mining. In 1919 several other industries were brought under regulation, and the establishment of a minimum wage for agricultural laborers was made possible. Further extensions of the minimum wage principle are being made in Great Britain. The movement has spread to other countries, including France, which adopted the minimum wage for women homeworkers in the clothing industry in 1915; the Argentine Republic which enacted a trades-board law for homeworkers in 1918; the Canadian provinces of British Columbia, Quebec, Manitoba, and Saskatchewan, which passed minimum wage law in 1918 and 1919, and several other important countries.

Massachusetts was the first American state to pass a minimum wage law. This law, enacted in 1912, was the result of recommendations by an investigating commission

[3] Commons and Andrews, *Principles of Labor Legislation*, p. 189.

which had been appointed in 1911. The example of Massachusetts was followed in 1913, by eight other states—California, Colorado, Minnesota, Nebraska, Oregon, Utah, Washington, and Wisconsin. Arkansas and Kansas followed in 1915, Arizona in 1917, the District of Columbia in 1918, and North Dakota and Texas in 1919. The Colorado law has remained a dead letter. Two constitutional amendments have been made to allow minimum wage legislation—California in 1914, for women and minors, and Ohio in 1912, for all classes of workers. The Ohio legislature has not acted on this provision. Under the provisions of the Kansas Industrial Court Act of 1920, a minimum wage may be established in industries affecting the public welfare. The Nebraska law was repealed in 1919, and the Texas law in 1921, which leaves at the present time twelve states, the District of Columbia, and the territory of Porto Rico (1919) with minimum wage laws. Minimum wage laws in the United States protect only women and children against sweating, whereas in other countries all sweated workers are coming under the protection of the law. This can be accounted for by the fact that labor organizations in the United States have opposed unequivocally minimum wage laws for men, on the ground that organized male workers can secure better standards of wages, hours, and conditions through organization and collective bargaining than by legislation.

The standards and methods of procedure followed in the administration of minimum wage laws vary, but some general principles obtain even in the United States where there are so many laws. The fundamental purpose is to pay a living wage which is commonly interpreted as the amount of income sufficient to maintain self-supporting women in reasonable comfort, physical welfare, decency, and moral well-being. Experience indicates that with few exceptions the actual wage standards set under these laws have been somewhat above what they would have been in the absence of legal regulation, but below what investigations disclose as a living wage. The wage may be a minimum flat rate fixed by law for specified

industries or occupations, as in Arizona, Utah, Arkansas, and Porto Rico; or it may be a minimum rate more or less flexible, determined by boards or commissions with power to make investigations as a guide to wage determinations. Voluntary wage or trade boards acting in an advisory capacity are usually appointed by the state minimum wage board or commission, or some other authority in charge of the administration of the law. These advisory boards consist of representatives of the employers and the employees concerned in the adjustment, and of the public, and their deliberations are based upon information gathered by the state commission. The wage finally fixed by these advisory bodies is usually a compromise between the representatives of employers and employees, but their decision is often subject to the endorsement of the state board, and an appeal may be had to the court before the rate is put into effect.

The highest wages set in any of these awards are $18 per week for the public housekeeping occupation in the State of Washington and $20 per week for office workers in North Dakota. Wages fixed by statute have not been adjusted to price changes and the cost of living. For example, the rate in Utah and Arkansas is $7.50 per week for experienced women. For this reason it is highly desirable that the rate be a flexible one determined by wage boards in accordance with the prevailing cost of living and other conditions. The awards of the boards or commissions are mandatory in all states except Massachusetts, where publicity and public opinion are relied upon for enforcement. In fixing wage standards, the boards in such states as California, Oregon, Washington and Massachusetts take cognizance of the regularity of employment, and allow a slightly higher wage for seasonal or irregular employments. This encourages the employer to regularize his production. Provisions are also made for substandard workers, such as the physically and mentally defective, young workers, apprentices, and inexperienced workers, who normally cannot earn the minimum. To avoid the substitution of minors and in-

experienced workers for adults, and abuse of the apprenticeship system, it has been found necessary to provide a progressive wage for apprentices and inexperienced workers, and to fix definitely the period for learning a trade and the maximum proportion of apprentices to the number of workers in the establishment. Special licenses are granted to permit the employment of infirm and slow workers unable to earn the prescribed minimum, but care is exercised to limit the proportion of such workers that may be employed in any one establishment.

Minimum wage laws have been criticized for the following reasons: (1) They are an attempted contravention of the free play of economic forces in wage determination, and cannot be relied upon to improve the wage standard of any group; (2) they result in serious injury to employers in progressive states where such laws are enacted, because these employers have to compete with the more cheaply produced goods of industries operated in states having no such laws; (3) they tend to discourage labor organizations, because the workers will not give financial support to the labor movement when they can secure the same ends without expense, through the medium of law; (4) the minimum wage becomes the maximum, and results in economic injury to those whom it is designed to benefit; and (5) they put a premium upon inefficiency, since workers are assured a minimum wage regardless of output.

Experience in every country indicates that none of these ill effects have resulted from the enactment and application of minimum wage legislation, but that opposite tendencies have been much in evidence. In Australasia and Great Britain an increasing number of occupations are being brought within the operation of these laws, and the results have warranted this extension. An exhaustive investigation by the United States Bureau of Labor Statistics disclosed the fact that minimum wage laws in this country are functioning satisfactorily. The income of the workers covered by these laws has been largely increased as a whole. A moderate rate increased

the pay-roll about $97,000 annually in one instance, and a rate of about $13 a week raised the pay in one industry more than 100 per cent in many cases, and more than 33⅓ per cent throughout the industry. These isolated cases are said to be typical of results everywhere. "The laws have had a large beneficial effect not only in supplying the actual necessities of the workers, but in transferring entire industries from a makeshift parasitic basis to one of self-support, making them an economic asset to the community instead of a burden."[4] The rates applied have not been so high as to bar women from employment and to attract men, as was feared by many persons who opposed the laws. The reduction of child labor has resulted, but this is an effect desired by all except the unscrupulous sweatshop operator.

Trade unionists feared that employers would take on learners and would discharge employees who reached the stage of experience when increased pay became necessary, thus evading the law in spirit while obeying it in form. This evasion is prevented by control of learners' licenses and the limitation of apprentices to a definite proportion of the total number of women and girls employed in the establishment. The number of employers who express opposition to the laws is negligible, though there are some that denounce them vigorously. Many employers praise the results as beneficial to their own business and to the women employed. Employees have found in these laws a source of great protection and benefit, and organized labor now promotes such legislation for women and minors. Allegations of injury to the workers have proved false. "Not only have these laws secured to women increased pay in large aggregate amounts, but they have at the same time standardized competitive conditions in the locality, and largely done away with the secrecy that many employers have practiced as to individual rates, by which unwarranted discriminations have been made possible in-

[4] Lindley D. Clark, "Minimum Wage Laws in the United States," *Monthly Labor Review*, March, 1921, p. 16.

side their establishments—results of great value from moral and economic standpoints."[5]

Minimum wage laws in the United States are far from perfect, and numerous improvements have been suggested, including fuller protection of employee representatives on wage boards from discrimination on account of their testimony and activities in wage adjustments; more adequate provision for wages in seasonal and irregular employments; stricter licensing of substandard workers, and more careful grading of these workers as to age and experience, with a fixed minimum below which their wages shall not fall; more scrupulous control of the proportion of apprentices to adult workers, and the provision of a progressive wage scale for learners according to time of service and efficiency; the adoption of more flexible wage standards to permit rapid adjustment of wages to changes in the cost of living; centralization of administrative control in the hands of minimum wage commissions, thus relieving overburdened industrial commissions; provision for regular regional conferences of representatives of minimum wage commissions in neighboring states, with a view to standardization of wage scales for the same industries; and, finally, a more enlightened public opinion and fuller representation of the public on advisory wage boards.[6]

Law and the Employment of Adult Male Workers.—Legal protection has not been extended so readily to men as to women and children in industry. This is due partly to the antagonistic attitude of the courts towards legal limitations on the employment of men, and partly to the persistent opposition of organized labor which is based upon the fear that the prestige of unionism will be greatly weakened if reforms are secured through legislation instead of by collective bargaining. Nevertheless, men now share in numerous protective measures, such as those

[5] Clark, *op. cit.*, p. 20.

[6] Dorothy W. Douglas, "American Minimum Wage Laws at Work," *American Economic Review*, Vol. IX, No. 4, December, 1919, pp. 701-738.

which regulate the physical conditions of work, the payment of compulsory compensation for accidents, wage payments and, to a certain extent, hours of labor.

Laws governing the hours of labor for men now apply to (1) public works; (2) mines, smelters, laundries, and similar occupations which are deemed dangerous and unhealthful; (3) transportation; and (4) factories and workshops. In determining the length of the working-day on public works the government acts in the capacity of an employer. In 1840 President Van Buren issued an executive order prescribing a ten-hour day in government navy-yards. In 1868 a law was passed providing an eight-hour work day for all laborers, workmen, and mechanics employed by the United States government. The failure of the latter measure to prevent agreements for overtime led to the enactment of another statute in 1892 which provided penalties for violations. The effectiveness of this law was limited by the action of the courts and the attorney general in holding that government work let out to private contractors was not included in its provisions. It was not until 1912 that a more satisfactory measure was enacted, which specified that an eight-hour clause shall be inserted in all contracts made by the federal government and involving the employment of laborers or mechanics. Exceptions were allowed in case of emergencies, for contracts in transportation by land or water, and a few other instances. Other federal employees such as post-office employees have also been given the eight-hour day. In addition to the action of the federal government over half the states have eight-hour laws for employees on public works, and many municipalities have, either by charter provisions or by special ordinances, provided an eight-hour day for municipal employees.

Because of the dangers to health and life involved in mining, smelting, the refining of ores and metals, and related occupations, about sixteen states have limited the work-day to eight hours in these industries. New York, New Jersey, and Pennsylvania have taken the significant

step of attempting to adjust the hours of labor according to the degree of danger resulting from employment in compressed air, so that the higher the air pressure the shorter the work-day. The close relation that obtains between transportation and the public safety has resulted in action by the federal government and most of the states in regulating the hours of work for employees on steam railways, and over a dozen states make similar limitation for employees on street railways. In 1916 the Adamson law was enacted by Congress to avert a national tie-up of the railroads at a critical period. This law provides for a basic eight-hour day for railroad trainmen, but is in reality a wage measure. By federal statutes passed in 1913 and 1915, respectively, the hours of labor for deck officers and seamen are limited to nine while in port, except in emergencies. Approximately a dozen states have legal limitations on hours of labor for adult males in one or more employments in factories and workshops, including such establishments as electrical plants, plaster and cement mills, saw- and planing-mills, drug and grocery stores. Two states, Mississippi (1912) and Oregon (1913), have enacted laws limiting the working-day to ten hours for all classes of workers in general manufacturing establishments. In each state exceptions are allowed in the case of emergencies. Three hours of overtime in emergencies, at the increased rate of time and one-half is allowed under the Oregon law, while in Mississippi overtime periods of twenty minutes are allowed on each of the first five days, to be deducted from the last day of the week. By constitutional provision or by statute about half of the states declare for either an eight- or a ten-hour day in the absence of specific contracts or agreements, but these have no influence since they are merely statements of a general principle without specific application.

Regulation of the Physical Conditions of Employment.—In modern industry men, women, and children are exposed to serious hazards to health and life, and in the mad rush for greater production and profits employers

have frequently failed to appreciate human values. Federal and state governments have faced the necessity of safeguarding the interests of society by enacting laws governing the conditions of work. Dangerous machinery, gases, acids, and dusts; improper lighting; extremes of temperature and humidity; insanitary conditions; overstrain and fatigue; and the peculiar hazards of certain occupations such as mining have been brought under legal surveillance. In addition to the exclusion of child workers under a certain age and during certain hours, and the protection of women workers, the health of employees and the safety of the public have made it expedient to require specific qualifications and training for such employees as electricians, plumbers, motion-picture operators, miners, and engineers; and to limit or prohibit the use of poisonous substances in the manufacture of commodities, such as the use of poisonous phosphorus in the manufacture of matches and white lead in painting. Factories and workshops, mines and allied occupations, and transportation have been brought within the limits of the factory acts and other regulatory laws.

Various forms of protection are given the workers in American industries under the most progressive state factory laws.

1. *Protection from Dangerous Machinery.*—Guards must be built about machines; set-screws countersunk to the level of frames; floor openings cased or railed off; shafts and belts guarded; devices installed for the quick stopping of machinery; adequate space provided between machines; passageways kept cleared; facilities installed which make possible rapid communication between the workshop and the engine-room; elevator shafts enclosed, and elevators equipped with automatic clutches to prevent falling. Employees must be familiar with the machines they operate.

2. *Protection Against Fire Hazards.*—Disastrous factory fires have resulted in the requirements that factories shall be equipped with easy means of escape, enclosed gas-jets, red lights marking "exits," adequate facilities for extinguishing fires, and that smoking shall be prohibited.

3. *Lighting, Heating, and Ventilation.*—Legislation providing for proper lighting, heating, and ventilation facilities is in its infancy. Oregon, Massachusetts, and Illinois have either by law or by order of the industrial commission adopted certain standards. Factories are required to be lighted according to a certain scale of light values and the temperature under which work may be performed is specified. About half of the states have the legal requirement that factories shall be properly ventilated, but the provisions are very indefinite. The Illinois law of 1909 provides that exhausts, fans, and other devices shall be installed to remove obnoxious dusts and fumes, in order to prevent illness and death from contaminated air. This law, moreover, specifies the amount of fresh air that must be furnished for each employee. Food and drink must not be eaten in workrooms where white lead, arsenic, or other poisonous substances are used.

4. *The Provision of Seats, Toilets, and Dressing-Rooms.*—Almost every state requires that suitable seats shall be furnished for female workers in mercantile establishments, and most states make this provision applicable also to manufacturing establishments. Sanitary and separate toilets for women workers are required in most states, and at least a third of the states make obligatory the provision of adequate dressing-rooms for women employees.

5. *Other Protective Requirements.*—Other protective regulations include the prohibition of sleeping in workrooms; the provision of first-aid kits in factories, workshops, and stores; the provision of clean, disinfected cuspidors; the licensing or the prohibition of the manufacture of garments, foodstuffs, and tobacco in tenement homes; and numerous other measures conducive to health and safety.

Mining, tunneling, and transportation are safeguarded by special legal regulations. Legislation is in force which tends to reduce to a minimum the hazards to health and life resulting from employment in the construction of bridges, tunnels, subways, exceptionally high structures, and all work done in compressed air. Mining laws provide for regular inspection, adequate means of escape

in case of emergencies, sufficient ventilation by unobstructed air channels, careful timbering of dangerous roof, proper methods of drilling and blasting, safe cages and shafts for the lowering and the lifting of workers, protection of machinery, safety lamps, proper illuminating oil, and other necessary precautions. Similar protection to health and life is provided in the case of sailors. Railroad employees are protected by laws requiring such devices as automatic couplers, powerful brakes, ladders, running boards, and full crews.

Protection of the Worker as Debtor and Creditor.— There obtains practically no legal means of enforcing the specific performance of the labor contract. This is why the so-called labor contract has been designated "a gentleman's agreement." Complete enforcement of the labor agreement would involve the forcing of men to work against their wishes, and this would be in violation of the constitutional guaranty against involuntary service. Suit for damages by the employer would avail little or nothing since the average wage-earner has no means of paying damages. Moreover, wage-earners are given protection by laws which have abolished imprisonment for debt, so that redress against them is doubly difficult to secure. Provided there is neither embezzlement nor other fraudulent conduct, the inability of an individual to pay his debts is no longer a reason for imprisonment.

Other protection afforded wage-earners includes laws governing wage exemption, mechanics' lien, wage payment, and competition with convict and immigrant labor. Every state has a law which specifically exempts from attachment and execution for debt the wages of labor. The various laws differ as to the amount of wages so exempted. The sums designated are either thirty days' wages, sixty days' wages, or a certain per cent of wages for a specified period. Exempted amounts range from $20 to $100. Under the provisions protecting wages against garnishment, employers who pay the wages of a workman to his creditors are responsible to him for a second payment of an equivalent sum. The purpose here

is obviously to safeguard the minimum earnings of the workers, and the power to sanction such class protection rests upon the fact that attachment is a statutory privilege conferred by the legislature and not a vested right of the creditor. The legislature, therefore, is entitled to deprive the creditor of this privilege.

Wage-earners also share in the protection given by laws that exempt from execution the tools of one's trade or profession, including homestead rights. Moreover, a workman can not assign unearned wages except upon consent of his wife and of his employer. To safeguard employees from avarice, standard laws have been passed, which require credit agents to be licensed, and specify the maximum rates of interest on loans up to about $300. Under some of these laws payment of not more than 10 per cent of the wages due on any pay day may be pledged, and this only upon verification of the employer and the wage-earner's wife. Interest rates vary, being 3½ on unpaid balances in some states; 5 per cent per month on loans not over $50, in others; and 15 per cent per annum on all loans up to $300, in still others. The license fee is frequently more than $100, the provisions in Louisiana being $300 per annum on a capital of less than $25,000, and $3,000 per annum on capital of $25,000 or more.

The laborer enjoys special protection not only as debtor but also as creditor. Most states have laws providing a regular pay day every week, two weeks, or month. Wages due discharged employees must be paid within a specified time, 24 hours in some states, and failure to comply results in the continuation of the wage rate until full payment is made. Wages must be paid on the premises and not in such places as barrooms, and payment must not be in kind or orders on company stores. Limitations are imposed also on deductions for fines, damages for spoiled work, materials, tools, and benefits, except upon the worker's consent. Mechanics' lien is among the oldest form of protection granted the workers. By security of the construction or land on which they have

been employed, laborers are given claim for payments due them. Up to certain amounts and within certain limits workers have prior claim next to the payment of fees, costs, and taxes in case of receiverships caused by death or bankruptcy.

The laborer as a competitor is protected by immigration restriction laws and legislation governing convict labor. The first class of legislation has been discussed in an earlier chapter.[7] An investigation made by the United States Bureau of Labor in 1903 showed a yearly average of 86,036 convicts in 296 institutions, of whom 51,172, or about 60 per cent, were engaged in productive work. The total market value of all goods produced by convict labor during the year was $34,276,205. At the present time there are approximately 100,000 prisoners in the major penal institutions, and probably more than 200,000 serving short terms in smaller institutions or awaiting action by the courts. Prison labor has been employed under (1) the lease system, by which prisoners are farmed out to contractors who usually exploit them; (2) the contract system, under which the convicts are let out to private contractors, but the work is performed in or near the prison under state supervision; (3) the piece-price system, by which prisoners are farmed out to contractors, but the state superintends the work and determines the speed of production; (4) the public-account system, in which the state manufactures for its own account and secures all the profit; (5) the state-use system, where the state uses prison labor in production, but goods are disposed of to other state institutions or kept for prison consumption; and (6) the public works and ways system, under which prison labor is not applied to the production of commodities for the open market, but is used in the construction and repair of prison buildings, other public buildings, public parks, breakwaters, and similar work. In response to the demands of organized labor, states have largely abandoned the first four systems. An interesting law was passed in Kansas in 1920, providing pay to con-

[7] Chap. XIII.

victs engaged in the mining of coal where their production exceeds 9 tons per week per man, the excess to be credited at rates paid miners under like conditions in the same district. Sums thus earned may be paid to the convict or his dependents. The United Mine Workers of America has endeavored to have abolished the practice of employing convict labor in mines for the reasons that it imposes upon prisoners penalties not intended or prescribed by law, since they assume the risks and hazards of mining; results in extraordinary jeopardy to life because melancholy, long-term prisoners are irresponsible; and brings such labor into direct and indirect competition with honest labor.

The Courts and the Constitutionality of Labor Laws.— Because of their unfavorable decisions in cases involving the constitutionality of legislation designed to protect the workers, American courts have been condemned as antiquated in viewpoint and method, basing their decisions on logic rather than the current facts of economic life; individualistic rather than socialized, protecting property rights rather than personal rights, and exaggerating private right at the expense of public right and welfare; ultraconservative, basing their decisions upon eighteenth-century legal philosophy and failing to meet the needs of a changing industrial society; indefinite and often inconsistent and contradictory in their opinions, so that a law which is constitutional in one jurisdiction may be unconstitutional in another; and autocratic in their power, declaring void many progressive and constructive measures which have received the endorsement of the people's representatives and the sanction of an enlightened public opinion.

These indictments have been supported by a mass of historical evidence from labor cases. The constitutionality of such laws has depended too largely upon the economic bias of judges who are familiar with the technicalities of the law but often ignorant of what is going on in industrial life. The courts have often laid down the postulate that the employer and employee have equality

of right, and any legislation that disturbs that equality is an arbitrary interference with liberty of contract. Under this dictum the activities of labor organizations have been greatly limited, and laws regulating wages, hours, and conditions of employment have been declared null and void. "Freedom of contract" and "equality of rights" are attractive terms, but the courts are gradually learning that in the complex industrial life of the present century the inequality of bargaining power between employers and employees is so pronounced that anything approaching liberty of contract and equality of advantage is practically impossible. Protective laws have also been held unconstitutional because they have (1) imposed "unreasonable classification of industries," resulting in discrimination against certain classes of occupations and not affording equality of treatment to all; (2) given rise to "class legislation," in that protection is afforded one class of employees, as women, without extending the same favors to other classes of workers; (3) and deprived the employer of his property right to run his business as he sees fit, thus taking property without "due process of law."

Under the larger conception of social justice, the archaic theories of natural and absolute rights, freedom of contract, and equality of bargaining power are yielding to the more fundamental considerations of health and safety, and public welfare and benefit. Judicial decisions manifest an increasing tendency to adapt the law to the facts of industrial life. Through the exercise of what is known as the "police power," governments extend their powers to limit or abrogate property and contract rights without indemnification, when such action becomes necessary to protect the physical, moral, or general welfare of society.

The doctrine of the police power has had a remarkable influence upon judicial decisions affecting laws governing the hours of employment, minimum wages, child labor, factory regulation, workmen's compensation, and other problems of industrial relations. For example, an eight-hour law for women in factories in Illinois was held

unconstitutional by the State Supreme Court in 1895, as an abridgement of the fourteenth amendment to the federal Constitution assuring freedom of contract and the right of property. The court discovered no necessary relation between the limitation imposed and the health, safety, and welfare of the public. The Illinois ten-hour law for women passed in 1909, however, was sustained by the State Supreme Court as a measure designed to protect the public health. The relation of the physical welfare of women to the future of the race and their weak bargaining power have been the chief reasons for sustaining laws limiting their hours of labor and prescribing minimum wages. The right of the state to limit hours of work for men in mines and other dangerous occupations has been practically unquestioned since 1898, when the Utah eight-hour law for these workers was sustained by the United States Supreme Court in Holden *v.* Hardy. This decision laid down the principle that, in view of the inequality of bargaining power and the relation of dangerous and unhealthful occupations to social progress, the police power of the state can be exercised legitimately in the protection of labor. Similar reasoning led the United States Supreme Court to sustain the Oregon ten-hour law, in 1908; the California eight-hour law, in 1915; and the Oregon case involving the power of a commission to regulate women's hours of work, in 1917. Limitation of hours of work for employees engaged in transportation has been sustained chiefly because the safety of the traveling public is involved.

Conclusions.—From the point of view of the protection of the wage-earning classes, the nineteenth century and the first decades of the twentieth century are replete with encouragement. The subordination of property rights to the interest of public health, welfare, and progress, under the exercise of the police power, has protected the workers from the unscrupulous employer whose chief purpose in life is to exploit the workers for selfish gain, and has also safeguarded the scrupulous employer from destructive competition with the products of parasitic and anti-

social establishments. The scope of protective laws will have to be extended, however, before, children will be freed from the necessity of industrial employment, and men and women are assured reasonable wages, hours, and conditions. Without going to a dangerous extreme, regulation of industry can function in the true interests of human welfare and social progress.

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CHAPTER XXVI

SOCIAL INSURANCE

The Nature of Social Insurance.—The term "social insurance" refers to various schemes organized by the state to compensate the working classes for losses sustained chiefly in the course of industrial life. Collective responsibility is substituted for individual responsibility in the assumption of financial burdens that would otherwise fall upon certain individuals; the accumulation of funds enables the group to aid unfortunate members in distress. The exigencies that necessitate assistance include sickness, accident, unemployment, invalidity, and old age; and various forms of social insurance are devised to take care of these emergencies.

Employers' Liability.—The principles of the common law governing the liability of employers for industrial accidents include: (1) the reasonable duties of the employer, (2) the burden of occupational risks, (3) the assumption of occupational hazards, (4) the responsibility of fellow servants, and (5) the contributory negligence of the injured workman. The common law imposes upon the employer the duty of exercising care in safeguarding his employees from injury, that is, the provision of a safe place of employment, safe tools and equipment, intelligent and adequate supervision, and competent fellow workers. Having taken these precautions, the employer is freed from responsibility for injuries arising from (*a*) the ordinary risks of the occupation, (*b*) the extraordinary dangers of employment, (*c*) the carelessness and negligence of fellow workmen, and (*d*) the worker's own carelessness and negligence.

The application of unmodified common-law doctrines of employers' liability imposes immeasurable hardships

upon the injured workman and his dependents, and results in great injustice. In spite of any precautions that employers may take, numerous accidents inevitably occur in the complex processes of machine industry. Wage-earners must work to live and are not economically free to refuse employment on account of actual or potential risks connected with the job, even though they may be fully aware of such dangers. To make them both physically and financially responsible for implied or assumed risks is manifestly unjust. That principle is equally indefensible which allows the workers to bear the burden of accidents resulting from the negligence of fellow servants, whom they do not choose and for whose actions they cannot be responsible. Contributory negligence is difficult to prove and results in prolonged and expensive litigation. Moreover, employers have often abused this doctrine by attributing all accidents to the injured workman's own carelessness.

The application of common-law rules results in enormous financial waste. To secure damages the injured workman must resort to a suit at law. Here he is at a decided disadvantage, because litigation is expensive and the outcome always uncertain. Employers have been able to escape the burden of damages by engaging liability insurance companies to carry the risks in return for the payment of a stipulated annual premium. It is to the advantage of these companies to oppose the injured workman's claim, and this they do successfully by employing expert legal advice. The worker cannot afford to engage expert attorneys, and defeat is almost inevitable. Should the worker win his suit, the amount of damages that actually reaches him is pitiably small. It has been estimated that out of every $100 paid by the employer as a premium, only $28 reaches the injured employee, and this only after a period of litigation of two to six years. It is not surprising that comparatively few injured workmen contest their cases under the common law.

Social and economic justice demands that injured workmen shall be relieved from the financial burden of acci-

dents; that modern industry shall provide, in addition to a living wage, adequate surgical and medical care for injured employees; and that money compensation shall be sufficient to maintain the injured workmen and their dependents during periods of disability. Industrial accidents and occupational diseases are just as legitimately a part of the cost of production as the wear and tear on machinery, or any other form of depreciation that calls for replacement. The expense is borne immediately by the employer, but ultimately by the consumer. Industries that refuse to include these human values in their costs of operation are parasitic, and consumers who are unwilling to pay prices sufficient to cover these risks are not entitled to the utilities.

Workmen's Compensation Laws.—1. *Development.*—Definite legal provision for injured workmen was first made in Germany, the pioneer in most forms of social insurance, where compulsory insurance against accidents became effective in 1885. Great Britain enacted a law in 1897, giving similar protection, and in 1906 provision was made to cover occupational diseases. At present the British law covers no less than twenty-eight occupational maladies. Other European countries, the Australasian commonwealths, and Canada followed the example of Germany and Great Britain.

The United States lagged behind European countries in enacting workmen's compensation laws. Among the reasons for this tardy development were: (1) the employers' fear that such laws would increase greatly the cost of production, and injure them in competition with producers not subject to these added costs; (2) the general suspicion that compulsory compensation would encourage malingering among injured workers; (3) the indifferent attitude of organized labor, which preferred that such protection be provided by voluntary action; (4) the traditional American suspicion that such a measure constitutes a step towards state socialism; (5) the general ignorance of the public concerning the necessity and value of such laws; and (6) the fear of state governments that the

enactment of compulsory accident insurance laws would drive established industries out of the state and prevent the development of new industries.

These various objections were gradually overcome. In 1902 Maryland enacted the first law providing compensation for injuries, but this measure was declared unconstitutional in 1904. The employees of the government of the Philippines were included in a compensation act passed by the United States Philippine Commission, in 1906. In 1908 Congress passed a law providing accident compensation for certain federal employees. The Montana law of 1910, which provided compensation for miners, was held unconstitutional. In 1911 the New York law, passed in 1910, was declared invalid, but an amendment to the state constitution made possible the enactment of a compulsory workmen's compensation act in 1914. Beginning with the enactment of compensation laws in California, New Jersey, Washington, and Wisconsin in 1911, the movement spread rapidly, and by 1922 similar laws had been passed in forty-three states, and the territories of Alaska, Hawaii, and Porto Rico. In 1916, moreover, the federal government replaced the 1908 compensation law by a comprehensive measure covering all of its civilian employees. Arkansas, Florida, North Carolina, South Carolina, and the District of Columbia are the only jurisdictions without such laws.

2. *General Nature.*—(*a*) *Scope.*—The inclusiveness of workmen's compensation laws varies with the different states. Some laws cover practically the whole range of industrial employments while others are limited to what are commonly known as hazardous or extrahazardous occupations. Domestic service, farm work, and other so-called nonhazardous employments are generally excluded. Railroad employees engaged in interstate commerce come under the federal act, and casual employees are not usually included. Public employees, employers having only a few workers, and enterprises not conducted for gain are excluded. The laws of several states specifically provide or imply that occupational diseases shall be con-

sidered injuries. The percentage of employees covered by the different laws range from about 20 per cent in Porto Rico to almost 100 per cent in New Jersey. In fourteen states less than 50 per cent of the workers are covered.

(*b*) *Methods of Carrying Insurance.*—Four main methods of carrying insurance are provided under the various laws; namely, exclusive state fund, competitive state fund, private insurance—either stock or mutual—and self-insurance. Most states provide for the carrying of insurance in a state fund. In some states it is compulsory for all employers coming within the act to insure in this fund, while in others insurance is permitted in private stock or mutual companies. Under the system of self-insurance the employer carries his own risk, but is required to give proof of his financial solvency and ability to pay compensation. Mutual companies and state funds have proved the most satisfactory. Stock companies are operated for profit. They are interested in paying dividends to stockholders, their expenses are very high because of the cost of soliciting business and collecting premiums, and their savings in no way benefit the employers who are insured with them. This is especially true of the nonparticipating companies. Mutual companies are operated for the protection of policy holders who, as members, receive the benefits that accrue from operation. Because of their low cost of operation, mutual companies have been able to sell insurance at rates about twenty-five per cent lower than stock companies.

When the state becomes the sole insurance carrier, it classifies industries into groups according to hazard, fixes and collects premiums, adjudicates claims, and pays compensation. State funds are gaining favor because of their economy of operation, insignificant losses, and large savings. In Ohio it has been found that forty cents of every dollar collected by private insurance companies is absorbed by overhead expenses, whereas the whole income of the state fund is devoted exclusively to the payment of compensation claims. In the first five years of its

operation the state fund of New York saved to insurers over $4,000,000, or 29 per cent of the total premiums computed at company rates, which meant that the insurers in stock companies paid an unnecessary cost in excess of $18,000,000 for the period. An investigation of compensation insurance systems made by the United States Bureau of Labor Statistics in twenty-one states and two Canadian provinces in 1919 showed that stock companies wrote about $99,000,000 in premiums, mutual companies $27,000,000, and state funds $33,000,000. State funds were judged superior. The average expense ratio of stock companies was approximately 37 per cent; of mutual companies, 20 per cent; of competitive state funds, about 12 per cent; and of exclusive state funds, from 5 to 7½ per cent. Under the exclusive state fund the cost to employers would be 30 per cent less than under stock insurance, and more than 12 per cent less than under mutual insurance. The total saving to insured employers in the United States through the exclusive use of state funds would be over $30,000,000 annually. From the standpoint of liberality, efficiency of administration, solvency, economy, and promptness of payments, state funds are superior. Hundreds of thousands of unpaid claims have resulted from the failure of stock companies during the last few years, while not a cent has been lost through the insolvency of state funds.[1]

(*c*) *Benefits.*—The amount of benefits paid for total disability varies in the different states. In most states a percentage of the wages earned at the time of accident is granted, the total ranging from 50 to 66⅔ per cent. This scale of compensation benefits, however, is modified by weekly maximum and minimum limits which affect greatly the amount received. Only a few states have a maximum of $20 or over, most of them putting the limit at about $10 or $15. At least twenty states and the federal government provide that payments for permanent

[1] Carl Hookstadt, "Comparison of Compensation Insurance Systems as to Cost, Service, and Security," *Monthly Labor Review*, December, 1920, pp. 135-156.

total disability shall continue during the injured worker's life. In most states time limitations for permanent total disability range from 208 to 550 weeks, and money limitations from $3,000 to $6,000, although in Minnesota the maximum is $10,000. For partial disability most states provide for the payment of a percentage of wages for a certain number of weeks, depending upon the nature of the injury. In Illinois, for example, the number of weeks for which compensation is payable is 200 for the loss of an arm, 150 for a hand, 60 for a thumb, 15 to 35 for a finger, 175 for a leg, 125 for a foot, 10 to 30 for a toe, and 100 for the sight of one eye. Many states provide also for the loss of hearing.

In the case of death, benefits in most instances consist of about three or four years' earnings of the deceased employee. The majority of states provide a wage percentage for a period of 300 to 500 weeks, but several states and the federal government pay benefits until the death or remarriage of the widow. About half of the states limit the maximum amount payable in any one case, the amount ranging from $3,000 to $6,000. The accident laws of most states now provide for medical attention of two weeks to ninety days, but a few laws specify no limit. Although about twelve states put no limit on the money expenditure for medical attention, most states have a maximum of $50 to $600. Compensation laws usually require that no monetary benefits shall be paid for a specified period after the occurrence of the accident. This waiting period is intended to prevent malingering and ranges from several days to two weeks. It is estimated that not less than $200,000,000 is paid out annually in workmen's compensation in the United States.

(*d*) *Administration.*—The administration of workmen's compensation acts may be effected in one of two ways. There may be a central administrative board entrusted with the general powers of enforcing the law, or all questions and controversies arising under the statute may be left to the adjudication of the courts. Most states

have provided definite administrative commissions, while less than one-fourth adhere to the antiquated procedure of entrusting administration and decision to the courts. The courts are not equipped to administer such laws, and legal procedure is extremely slow and expensive. Investigation, review, and decision by expert and responsible administrative agencies are necessary to insure the injured workman his full rights under the law.

(*e*) *Tendencies and Improvements.*—Definite improvements are found in the form of increased benefits, shortening the waiting period to one week or less, provision of state funds, and inclusion of occupational diseases. The tendency is to pay benefits of two-thirds of the wage earned by the injured employee. Many states are taking advantage of the federal civilian rehabilitation law of 1920, to provide for the industrial rehabilitation of crippled workers. A necessary improvement yet to be made in the majority of the laws is the removal of limitations on occupations covered, medical benefits, and periods of payment in case of death or total disability. Administration must be taken out of the hands of the courts, greater uniformity introduced, and laws enacted in backward states.

Health Insurance.—1. *Germany.*—The German system of health insurance dates back to 1883, but it has been modified several times and now applies to about two-thirds of the gainfully employed, or 20,000,000 persons. Employers contribute one-third of the premiums, and they deduct the other two-thirds from the employees' wages. Illness insurance stamps are purchased by the employers from the post office and each week are attached to the insurance cards of the workers. These cards serve as evidence of the good standing of the insured. Benefits in case of illness include free medical attention, hospital treatment, medicines, and appliances, such as spectacles, crutches, and artificial limbs; 50 per cent of wages after the third day of illness, and extending for a total period of twenty-six weeks if necessary; twenty times the average wage as a funeral benefit; maternity benefits for a

period of six weeks after confinement; and a certain sum as a pension for the surviving widow and orphans. The administration of this system is in the hands of the National Insurance Office, functioning through sick-benefit associations controlled by joint committees of employers, employees, and disinterested citizens.

2. *Great Britain.*—The Health Insurance Act of Great Britain, which was passed in 1911, has been amended several times and in 1920 was greatly modified. This law includes all manual workers between the ages of 16 and 70, and nonmanual workers, such as clerks and agents, whose earnings are less than £250 ($1,250) per annum. Other citizens may join as "voluntary contributors," but their premiums are reduced because they receive no medical benefits. Men pay 10 pence (20 cents) a week, of which the employer pays 5 pence and the worker 5 pence. To these amounts the state adds a sum equal to two-ninths of the total. Women pay 9 pence (18 cents) a week, of which the employer pays 5 pence and the female worker 4 pence; to this amount the state adds a sum equivalent to one-fourth of the total. Contributions are made through the employer, who buys insurance stamps at the post office. Each week he is required to attach these stamps to the insured employee's card as evidence of payment. If the employer has more than 100 workers he may stamp the card every six months.

A male worker who is certified by a physician as "incapable of employment" on account of illness is entitled to 15 shillings ($3.75) a week, which begins after a three-day waiting period and continues for 26 weeks if necessary. For disability that extends beyond this period he receives 7 shillings and 6 pence ($1.88) a week so long as he is unable to work. The benefit for female workers is 12 shillings ($3.00) a week, with the same disability benefit as in the case of men. Thus, flat premiums and uniform benefits are provided regardless of differences in wages. Eligibility for these benefits depends upon the payment of premiums for 26 weeks, and a worker is judged in arrears if premiums are not paid for at least

48 weeks in the insurance year. He must then pay up or be declared ineligible. A married woman is entitled to 40 shillings ($10) at confinement if she is an insured wage-earner or the wife of an insured employee; if both husband and wife are employed the maternity benefit is doubled.

All cash benefits are paid through the local officer of an approved society. Medical attendance is provided in cases of illness, except confinement. Medicines and appliances are also furnished, but there is no statutory provision for hospital service, nurses, dental care, specialists' attention, and medical attendance upon dependents. The worker may choose his own society, and may insure with an approved commercial company, friendly benefit society, trade union, an establishment fund, or, if he is a deposit contributor belonging to no society, he can hold his own card and buy stamps at the post office. Approved societies are not profit-making organizations. Complaints may be filed against unsatisfactory medical service. Central administration is vested in a division of the Ministry of Health. The British system is of immeasurable value to the workers and now aids at least 16,000,000 employees.

3. *United States.*—Official investigations have shown that about 20 per cent of the wage-earners of the United States are ill each year for an average of about 35 days, but the movement for compulsory health insurance has made little progress. There are evidences of an awakening public opinion, however, and bills have been introduced into several state legislatures. In 1919 the New York senate voted favorably on a measure, but it failed to become a law. These bills provide for medical and surgical attention, medicine and appliances; a cash benefit of approximately 75 per cent of the insured workers' wages, to continue 26 weeks if necessary; special maternity benefits for two weeks preceding, and six weeks following childbirth; and certain funeral benefits. The cost of insurance is to be shared equally by the employer and employee, and the state is to bear the expense of central supervision. Actual administration is to be left to

local mutual associations, managed democratically by employers and employees under state control. Wage-earning mothers will share in the benefits of the maternity and infant hygiene law passed by the federal government in 1921.

Old Age Pensions.—There is no sadder evidence of the failure of our industrial system to assure justice than the presence of a large number of aged wage-earners who, after a life of steady, productive effort, find themselves relegated to the scrap heap with no means of support except the generosity of relatives or humiliating charity. The pressure of immediate wants and the meagerness of their incomes have made it impossible to put aside an amount sufficient to keep them in their declining years. Some form of collective insurance or pension is necessary, if wage-earners are to spend old age in the comfort which should attend it. A very small proportion of national fraternal benefit societies, and only a few national trade unions, such as the International Typographical Union and the Granite Cutters' International Association, provide pensions for American wage-earners.

Three forms of social insurance covering dependency in old age may be noted. (1) State subsidies may be established, under which the government grants certain subventions to friendly benefit societies that operate pension systems for their members. The state exercises supervision over these organizations and the expenditure of funds. This form of insurance has covered only a small proportion of the wage-earners, and cannot be regarded as very promising. (2) Compulsory contributory insurance may be provided, by which the workers pay a premium to aid in building up the insurance fund. (3) Gratuitous or noncontributory pensions may be granted to indigent aged workers under certain conditions. The last two have been applied most successfully. Compulsory old age and invalidity insurance has been introduced in about a dozen European countries, and in the United States for all employees of the federal government who are on classified civil service lists.

Germany blazed the trail for old age insurance, in the act of 1889. Contributions are graded according to the workers' income and fall into five classes, the premiums ranging from 4 cents to 12 cents a week; the employer and employee contribute equal amounts and the state adds a definite amount for each individual receiving a pension. Premiums must be paid for a minimum of 1,200 weeks. The employer is made responsible for the collection of payments, which he deducts from the wages of eligible workers. Upon attaining the age of sixty-five, the worker is entitled to claim a pension, the amount depending upon the group in which he is classified. Invalidity insurance benefits are provided for insured persons who, because of illness, are incapable of earning one-third of the wages ordinarily paid to normal individuals in their occupation. These benefits are larger than the pensions, and there are provisions for sanatorium treatment.

Compulsory contributory old age and invalidity insurance for classified civil service employees of the federal government of the United States was introduced by an act passed in 1920. Fifteen years of government service is required as a condition of eligibility to pension under this measure. Retirement is permitted at the age of sixty-two, for railway mail employees; sixty-five, for mechanics, letter carriers, and post-office clerks; and seventy, for all other employees. The yearly pension ranges from $180 to $720, depending upon the salary previously earned, and the length of service. Permission may be obtained to continue employment for two periods of two years each beyond the retirement age. Employees who have served fifteen years, but become incapacitated for work prior to the retirement age are given the same benefits, provided incapacity is not due to vicious habits, intemperance, or willful misconduct. Contributions made by employees under this law consist of a 2½ per cent deduction from all salaries. This is estimated to meet about one-third of the expense of administration, the remainder being paid by the government out of general

taxes. Repayment of premiums at 4 per cent interest, compounded annually, is made in the case of all those who leave the service of the government or die prior to completion of the period of service required for a pension. The act is administered by the Commissioner of Pensions and the Secretary of the Interior. In addition to the federal government, many states have passed laws permitting counties and municipalities to establish annuity and benefit funds for their employees.

Noncontributory old age pensions are provided in several countries, including Great Britain, Australia, New Zealand, and France. In addition to a definite period of residence and citizenship, certain moral, economic, and civil qualifications are required under these measures. Under the provisions of the British laws of 1908 and 1911, as amended in 1919, the government, without requiring contributions from the workers or the employers, gives a pension to all meritorious and necessitous persons who have reached the age of seventy, and have been citizens twenty years. Persons incapacitated by blindness resulting from their occupation are entitled to the old age pension at fifty years of age. To be eligible for a pension a person must show that he has not failed to work according to his ability and opportunity to maintain himself and family, and that he has not within ten years been convicted of a prison offense. Originally, persons who had received poor relief other than medical and surgical help were denied pensions, but the 1919 amendment strikes out this provision. Lunatics and inebriates are excluded, but no person can be denied the privileges of the act who for ten years prior to attaining the age of sixty has made regular contributions to a trade union maintaining benefit funds. Formerly, persons whose incomes exceeded £31.10.0 ($160) per annum were not entitled to a pension, but the recent amendment advanced the sum to £49.17.6 ($250). This change has brought within the act an additional 220,000 persons. The maximum amount of pension has been increased from 5 shillings ($1.25) a week to 10 shillings ($2.50) a week. Total pensions vary accord-

ing to the amount of income received from other sources, being so graduated that the maximum sum of 20 shillings ($5) weekly may be received from other sources plus the pension allowance. Over a million persons are recipients of pensions, two-thirds of whom are women. Practically all receive the maximum pension rate of ten shillings a week, and the total amount paid out annually in pensions exceeds £25,000,000 (roughly $125,000,000).

Noncontributory pensions have not been widely established in the United States. Arizona passed a law a few years ago, which was later held unconstitutional. State and municipal governments often provide pensions for certain groups of employees, such as teachers, firemen, and policemen, and the federal government has always had a comprehensive system of pensions for war veterans. Several states, including Ohio and Pennsylvania, have made official investigations of the problem of old age pensions. The need for some kind of a pension system is seen from the fact that approximately 1,250,000 of the population of the United States above sixty-five years of age are dependent upon public and private charity, to the amount of about $250,000,000 annually. Thus far, it is estimated, one person in eighteen of our wage-earners reaches the age of sixty-five in penury, and the proportion of the indigent old is increasing.

Contributory pension systems have been opposed because they involve a heavy financial burden for employers and employees, necessitate a bureaucratic administration and a costly accounting system, and accumulate in the hands of the government large sums of money that may be applied wastefully. All pension systems, contributory and noncontributory, have been condemned on the ground that they discourage thrift, or compete with private savings even to the extent of making such saving impossible. Experience does not support any of these contentions. On account of their meagerness, the pension payments most assuredly could not discourage thrift.

Mothers' Pensions.—The widows and orphans of wage-earners are benefited materially by noncontributory

mothers' pensions. Such pension systems have been adopted in several European countries and New Zealand, but nowhere has the movement made greater progress than in the United States. Up to the present time (1922) forty states, in addition to the territories of Alaska and Hawaii, have enacted laws providing pensions for mothers. The eight states that have no laws are Alabama, Georgia, Kentucky, Mississippi, New Mexico, North Carolina, South Carolina, and Rhode Island. No uniformity obtains in the provisions of the various statutes. At least nine states limit the payment of pensions to widows, but most states grant such payments to mothers with dependent children. The pension is as yet very inadequate in all states. The highest allowances are made in Florida and Nevada, where $25 a month is granted for one child; the lowest payments are in Delaware and New Jersey, which allow only $9 a month; and Iowa and Vermont, which give only $2 a week. Payment usually ranges between $12 and $15; smaller allowances are often provided for each additional child.

Unemployment Insurance.—Of all forms of social insurance, unemployment insurance has proved the most difficult to administer, because of the comparative ease with which individuals can simulate unemployment. This is probably why Germany, the pioneer in other forms of social insurance, has not provided compulsory unemployment insurance. Labor organizations were the first to provide for wage-earners in periods of unemployment. This is especially true of European organizations. With the exception of a few unions, such as the Cigarmakers' Union, the Moulders' Union, and the Diamond Cutters' Union, American trade unions do not pay traveling expenses and out-of-work benefits to unemployed members.

Subsidies are often granted by municipal governments in Europe to trade unions, for the purpose of promoting unemployment insurance. The most famous of these plans is the "Ghent System," established by the Belgian city of Ghent in 1901. The city of Liège, Belgium, adopted a plan in 1897. Under the Ghent plan, which has been

copied by a great many municipalities in Europe, subsidies are granted from the unemployment fund to trade unions which have a definite scheme for providing out-of-work relief, the subsidies being in proportion to the benefits paid by the unions to unemployed members. A subsidy is also granted to those who do not belong to a trade union or an association providing insurance against unemployment, but who insure themselves by means of deposits at a savings bank, the amount of the subsidy being proportionate to the sum withdrawn from these banks by insured members. Under the Ghent system, lockouts and strikes are not considered unemployment, and the municipality adopts a policy of neutrality. Under the Liège plan, lockouts are accepted as sufficient reason for unemployment subsidy. The subventions granted by European municipalities vary from one-third to the full amount of the benefits paid by trade unions. Great Britain has subsidized unions not acting under the compulsory unemployment insurance act of 1911, provided they pay out-of-work relief.

Compulsory unemployment insurance has been adopted in only a few countries. Although this form of insurance was first established in the municipality of St. Gall, Switzerland, in 1894, it remained for Great Britain to evolve a successful scheme. The British unemployment insurance act went into effect July 15, 1912. Italy put a similar measure into operation on January 1, 1920. The British system has been modified considerably by subsequent laws. The original law applied to only a limited number of trades and included about 2,500,000 workers. In 1920 a new unemployment insurance act was passed which includes practically all manual and nonmanual workers whose earnings do not exceed £250 ($1,250) per annum, but excludes those engaged in agriculture and domestic service. Approximately 12,000,000 are covered, of whom 8,333,000 are men, and 3,430,000 are women. The insurable age is sixteen years, and there is no upper limit except in the case of pensioners. New measures passed in 1921 made certain changes with regard to

premiums and benefits. At the present time the joint contributions of employers and employees are 1s. 3d. (30 cents) a week in the case of men, and 1s. 1d. (26 cents) in the case of women. The benefits are 15s. ($3.75) for men and 12s. ($3.00) for women. Lower premiums and benefits obtain in the case of boys and girls.

The normal period during which unemployment benefits may be drawn is twenty-six weeks in any one year, although in emergencies two additional periods of six weeks have been allowed. The waiting period is six days. Employees are protected by the provision that an unemployed person is not compelled to accept work in an establishment where there is an industrial dispute, nor at wages less than the local scale for his occupation. Employers are protected by the provision that workers are not granted benefits if they strike, leave employment without sufficient cause, or are discharged for bad conduct or inefficiency. To stabilize production and reduce unemployment to a minimum, a refund of one-third of his own contributions is given to the employer for each employee assured work for not less than forty-five weeks in a year. Insured workmen over sixty years of age, who have been insured for ten years and have paid five hundred contributions, are entitled to a refund of their total premiums minus total benefits received, with interest compounded at 2½ per cent. The applicant for unemployment insurance must prove that he is normally engaged in insurable employment, and that he is genuinely seeking whole-time work but is unable to find it.

Unemployment books are furnished the workers, who deposit them with the employer upon being hired. On pay-day the employer affixes stamps representing the combined value of his own and the employee's contribution, deducting the latter from the worker's wage. Stamps are purchased by the employer from the post office, and money thus collected is forwarded to the unemployment insurance fund. When the worker is out of employment he obtains his book from the employer and deposits it with the nearest labor exchange or in-

surance office, thus becoming registered as unemployed. It is difficult to exploit the insurance fund because the worker, except under conditions already mentioned, must accept employment furnished him by the exchange. Efficient administration of the law is made possible by the comprehensive system of employment exchanges.

Although the United States has no state or national system of unemployment insurance, several experiments are being tried in industry. Perhaps the most interesting of these is the "Cleveland Plan" which has been instituted in the ladies' garment industry in Cleveland, Ohio. Under this scheme each manufacturer guarantees to his regular workers, who do not leave voluntarily and are not discharged justifiably, twenty weeks of work during each half year. If the employer fulfills his guaranty, there is no penalty, but if he does not provide the guaranteed period of work his employees become entitled to two-thirds of their respective minimum wages during the unemployed part of the twenty weeks. The employer builds up an unemployment fund by depositing with the impartial chairman of the industry 7½ per cent of his total direct pay-roll for each week. At the end of each six-month period that portion of his fund which has not been paid out to his workers for unemployed time is returned to him. If the worker is able to secure employment elsewhere during his lay-off, his right to draw unemployment pay from his regular employer is not affected. This provision is justified on the grounds that the whole scheme was devised as a penalty, and this clause constitutes an incentive to the employer to keep his workers busy. Moreover, it encourages employees to seek temporary jobs elsewhere rather than remain idle. An efficiency scheme of production is operated in connection with this plan.

In 1921 a bill was introduced in the Wisconsin legislature which would require all employers to pay a dollar a day for a period of thirteen weeks to every employee laid off through no fault of his own, but solely because of the lack of work. As Professor Commons suggests, the institution of such a plan would mean that every

man employed would add a liability of $80 to $100 when he is laid off. Each employer would be required to insure his liability. Such a measure would tend to regularize production and stabilize the credit basis of industry, since unemployment would penalize the employer rather than the employee as under the present system, and banks would be reluctant to advance credit to employers who could not show ability to furnish regular employment.

Associations for the Promotion of Labor Laws and Social Insurance.—In the United States, as in other countries, the progress of labor legislation can be attributed in a large measure to the efforts of nonofficial associations. The National Consumers' League, organized over a quarter of a century ago, has been an effective agency in combating the sweatshop evil by means of the league's label. The National Child Labor Committee, with branches in many industrial centers, was organized in 1904, and through investigation and education promotes the protection of children by demanding the abolition of child labor. The American Association for Labor Legislation, which is a section of the International Association for Labor Legislation, was founded in 1906. It promotes uniformity of labor legislation, makes investigations of industrial problems, insists on the enforcement of existing laws, drafts necessary new laws, organizes campaigns to secure the enactment of desirable laws, and defends these measures against attempts to undermine them. It has been instrumental in securing federal and state workmen's compensation acts, a weekly rest day, industrial commissions, public employment bureaus, relief and prevention of unemployment, and protection of wage-earners in occupations that are dangerous to health and life. At present it is carrying on an active campaign for a system of health insurance. The association is founded on the principle that social legislation is better than social revolution. Other agencies carrying on investigation and disseminating information concerning the problems of labor include the various labor organizations, state indus-

trial commissions and labor bureaus, and the United States Department of Labor.

The International Association for Labor Legislation, founded by a group of economists and reformers at Paris, in 1900, has been the most prominent organization for international action in protecting wage-earners. Other associations of this kind include the International Federation for the Observance of Sunday, the International Congress on Occupational Diseases, the International Association on Unemployment, the Permanent International Committee on Social Insurance, and the International Association for the Protection of Native Labor.

Important developments, recommended by the International Association for Labor Legislation, have taken place under Part XIII of the Treaty of Versailles, which concluded the World War. An international labor office has been established in connection with the League of Nations, with headquarters at Geneva, Switzerland. The signatory powers concluded that a lasting peace must be founded on social justice, and that nations which refuse to adopt desirable labor standards obstruct the progress of other nations. The International Labor Office is under the control of a board of governors representing the governments, employers, and employees of affiliated countries. The *International Labor Review* is the medium through which the investigations of the office are published. International labor conferences are held annually by delegates representing employers, employees, and the government of each country affiliated with the League of Nations. About thirty countries were represented at the first conference, which was held at Washington, District of Columbia, in the autumn of 1919. The fundamental principles of the Versailles treaty which guide the conferences are: The physical, moral, and intellectual well-being of industrial wage-earners is of supreme international importance; the labor of a human being should not be regarded as a commodity or article of commerce; the right of association for all lawful purposes must be assured employers and employees; there must be payment

of a wage adequate to maintain a reasonable standard of life; there should be established an eight-hour day or a forty-eight hour week; there should be adopted a weekly rest of at least twenty-four hours, which should include Sunday whenever practicable; child labor should be abolished and such limitations imposed on the labor of young persons as will permit the continuation of their education and assure proper physical development; the principle of equal pay for men and women for work of equal value should be applied; there should be equitable treatment of all workers resident in a country with regard to the application of all these standards; and an adequate and efficient system of factory inspection for the enforcement of laws and regulations should be instituted, with provision for representation of women on these agencies.

Conclusions.—Social insurance is a recognition of those larger social responsibilities, the assumption of which will assure peaceful, constructive progress. As yet, protection is very meager. With proper safeguards against abuses, the benefits of health, accident, and unemployment insurance, and old age pensions should be made more generous. The international regulation of industrial conditions is necessary and expedient, since it protects the employers of progressive countries against competition with those of backward countries.

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CHAPTER XXVII

THE BASIS OF PROGRESS

The Need of a New Motive in Industry.—During the World War and the period of reconstruction subsequent thereto, humanity has been burdened with problems of economic, political, and social relationships vastly more complex than have appeared in any preceding generation. The social fabric of the world has been rent, and nations have been forced to attempt the discovery of a rational basis for social reorganization and human amelioration. There has been a deep search after truth, a scrutiny of accepted theories and modes of action, a reëxamination of the basis of human relationships, and the formulation of far-reaching demands upon political and industrial systems. There is a general questioning of things as they are, and a pronounced insistence upon the realization of things as they should be.

In every land governmental agencies, labor organizations, industrial and commercial associations, scientific societies, and religious bodies have advanced numerous programs for the readjustment and improvement of industrial relations. Partisan convictions and prejudices have characterized many of the schemes presented, but they accord in this particular conclusion: Fundamental changes must be made in our economic and political systems if they are to function constructively and unselfishly in the interests of all those for whom they are assumed to exist, and if the universal undercurrents of industrial and social unrest are not to take civilization adrift on uncharted seas of experimentation. There is concurrence also in the thought that industry and commerce must find nobler motives than those that have prevailed in the past.

The soundness and sincerity of particular proposals for the readjustment of industrial relations have not gone unquestioned, but there is an unparalleled fineness in the note common to them all, that a new basis must be found if civilization is to be salvaged, and that new foundations for thought and action in industry must be discovered if social progress is to be assured. The analysis and survey of labor problems which has been attempted in this volume indicate the serious maladjustments that still obtain in industry, and the description of proposed remedies suggests that sincere efforts are being made to eliminate the many evils and to improve the general economic status of the wage-earning classes.

The basic instruments that form the foundation of American political democracy rest upon the fundamental assumption that all men are entitled to equality of opportunity, and possess certain inalienable rights to life, liberty, and the pursuit of happiness. These truths have been held self-evident, yet in the increasing complexity of our industrial life their application has been extremely limited. These traditional ideals have not been achieved in modern economic relations. More general acceptation is being given to the thought that service, rather than selfish gain, must actuate the economic activities of our people. It is now agreed that the purpose of industry is quite as much to advance the social, as the material well-being, and that in the achievement of this aim the interests of society must be safeguarded.

The need of a new motivation in industry was expressed by the British Labor Party in its reconstruction program, in which it urged the destruction of the individualistic system with the "monstrous inequality of circumstances" and the "degradation and brutalization, both moral and spiritual," which it produces, and demanded that there shall be erected a new social order "based not on fighting but on fraternity; not on the competitive struggle for the means of bare life, but on a deliberately planned coöperation in production and distribution, for the benefit of all who participate by hand or by brain;

not on the utmost inequality of riches, but on a systematic approach towards a healthy equality of material circumstances for every person born into the world; not on an enforced dominion over subject nations, but in industry as well as in government, on that equal freedom, that general consciousness of consent, and that widest possible participation in power, both economic and political, which is characteristic of democracy." American labor also has declared that new conceptions of liberty, justice, and opportunity must be applied if industrial peace and social progress are to be promoted.

Each agency of social reform is seeking the achievement of the same ideal; namely, the direction of economic activities along lines and in the manner that will conduce to the fullest expression of individuality in industrial and social life. The greatest possible degree of happiness is sought for the largest number of persons. This necessitates a new motivation in industry, business, and commerce. Selfish gain and the rapid accumulation of wealth, which have been the dominant motives of economic activity, must be replaced by recognition of general human interests and the motive of service to society. The free play of economic forces has failed to assure social justice and has tended to build up an industrial system in which the financially and politically powerful have been able to exploit the weaker members of the group. There is an excellent unselfishness in recent demands for the rationalizing of industry, the humanizing of industry, and the Christianizing of industry. The terms vary, but the objective is the same. In the past men have been subordinated to machines and fitted to jobs with little regard for the physiological and psychological factors. If industry is to function for service to the many rather than for the aggrandizement of a few, it must be adjusted to the physical, mental, and social needs of those who, by hand and brain, make industry possible. Production and industrial peace cannot be secured unless the conditions and administration of industry are such that the workers will project themselves readily into their tasks. Incentives

to production are best secured by a sympathetic recognition of the human factors that enter therein. This understanding will be possible only when service shall supersede greed as the impetus of economic effort.

General Principles of Procedure.—While the realization of desirable human experiences in industry and social life is conceded to be the end of a rational civilization, there exists no royal road to its achievement. There is no panacea for the numerous social and industrial ills. Underlying all methods of industrial progress, however, are the following principles: (1) recognition of the common interests of employers and employees; (2) protection of the well-being of wage-earners, managers, investors, and consumers in the production and distribution of wealth; (3) acceptance of the principle that every individual should be assured an opportunity to earn a living; receive a living wage; and enjoy reasonable hours of work, proper conditions of employment, decent housing, and freedom from the fear of recurrent unemployment; (4) recognition of the necessity of preventing physical and mental fatigue of the workers, and of giving full expression to the basic instincts of workmanship, self-respect, play, and love of family; (5) encouragement of initiative, enterprise, and efficiency, and the discouragement of indolence, indifference, waste, and limitation of output; (6) adequate representation for all parties interested in industry, and the provision of effective machinery for the adjustment of industrial grievances; (7) acceptance of the principles that every right and privilege implies a corresponding duty and obligation, that the rights of others must be respected, that self-control must be exercised, that labor is the basis of life, and that wealth is a social trust; and (8) concurrence in the thought that the greatest social service is rendered when industry is managed and operated so as to afford to every individual the fullest opportunity for self-development and self-expression, and to give to society the best quality and the greatest quantity of goods and services at reasonable cost.

Social Expediency and Control.—What is the proper basis for judgment concerning those serious problems of human relationship in industry which are commanding the attention of the civilized world? What is the fundamental criterion of right and wrong in economic practices? To the man of property and wealth, that conduct is right which maintains present conditions and relations, and that conduct is wrong which threatens to destroy vested rights and privileges. To the propertyless wage-earner, on the other hand, that conduct is proper which curtails rights and privileges in the interests of industrial justice, and that conduct is wrong which enables a few to control the economic life of the many. Employers and employees are often inconsistent in the interpretation of those constitutional rights which they hold to be self-evident. Employers welcome government action when it results in the protection of property, industry, business, and commerce from the forces that would limit or abolish basic rights and privileges, but they are opposed to government interference when it restrains absolute freedom of enterprise. Employees welcome government regulation of industry when it substitutes workmen's compensation laws for the common law principles of employers' liability, prescribes minimum wages, abolishes child labor, and makes factories safe and sanitary, but they are opposed to government action when it limits the right to strike, although such restriction may be necessary in the interest of public safety and welfare. It is not difficult for the manufacturer to explain the legitimacy of protective tariff, even when he knows it means higher prices to domestic consumers, but he cannot be convinced that it is within the proper functions of government to limit the influx of cheap labor by immigration laws. Employers and organized workers accept arbitration when they have everything to gain and nothing to lose, but they refuse it when the advantages are not so manifestly in their favor.

Natural rights can exist only under jungle conditions where the race is to the swift and the battle to the strong,

and the mightiest and fittest survive. Social life is a natural thing only in the sense that it has evolved in response to the gregarious instinct in man, that is, because man is essentially a social being. It is artificial to the degree that men have consciously imposed restrictions on absolute freedom of expression of those fundamental instincts that govern jungle life. Fundamentally, all rights and privileges are socially derived, and each right implies a corresponding duty to society. What society has bestowed it has power to take away. Social expediency, then, is the fundamental criterion of right and wrong in human relationships, whether in political, social, or industrial life. That conduct which conduces to the best interests of society will ultimately be sanctioned and justified, and that which hinders the progress of the social group and threatens its existence will be judged wrong and unmoral. This is equivalent to saying that society can make anything right, and that it will accept permanently only those institutions and modes of conduct that lead to social progress.

No vague theorizing about abstract natural rights can be a permanent basis for conduct in industry. The management of industry and the control of economic life in general must be judged in the light of their effects upon the welfare and progress of the nation. A social and industrial life approximating the ideal can come only through conscious control of individuals and of material conditions. Relations must be peaceful and conduct moral if social progress is to be realized. This means that industry, business, and commerce must be subordinated to general human interests and welfare, not human interests and welfare to the selfish purposes of economic groups. Not domination by a single economic class, but coördination of interests and general control for mutual benefit is the basis of constructive evolution. Social control will be acceptable only when it functions under the direction of an enlightened, unbiased, and rational public opinion, and regulates industry in the interests of the general welfare.

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